EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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ARGENTINA
Gonzalez inherits the economic hot seat
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World News

Thatcher may relax rules on Hong Kong immigrants

UK Prime Minister Margaret Thatcher is expected to meet senior ministers to endorse a package of proposals – including a relaxation of immigration rules likely to cover more than 150,000 Hong Kong citizens – intended to boost confidence in the colony. Page 8; Brain drain, Page 4

Collor heads for win
Fernando Collor de Mello, the centre-right candidate in Brazil's presidential race, last night appeared assured of a comfortable victory over his socialist opponent, Luis Inacio Lula da Silva. Page 14; Collor profile, Page 3

US shoots back
A US Army officer wounded a Panamanian policeman in the second such shooting incident in Panama in three days, a US defence official said. He said the Panamanian drew his gun first. Page 3

Portugal's left gains
Portugal's Social Democratic Government put a brave face on its defeat by the Socialist party in nationwide local elections. Page 2

Zeebrugge case
Committal proceedings began against P&O European Ferries – formerly Townsend Thoresen – which is charged with corporate manslaughter in the Zeebrugge disaster. Page 8

Yugoslav reforms
The Yugoslav Government introduced a programme of economic and political reform which would bring in a new convertible currency unit from January 1. Page 2

First for Pravda
The Soviet Communist Party newspaper Pravda broke new ground with the publication of a favourable essay on Alexander Solzhenitsyn's Gulag Archipelago.

Frigate withdrawal
West Germany has withdrawn from plans for collaboration on a new frigate between the US and Nato allies. Page 2

E German demands
East German trade unions are demanding the right virtually to co-manage businesses in the post-communist era and to strike if they feel workers' rights are being abused.

Turks on strike
About 2,500 ethnic Turks seeking asylum in Sweden went on hunger strike in protest against strict new rules requiring would-be refugees to prove they face persecution at home.

Israel returns
Israel has reopened its embassy in Ethiopia, 16 years after it was ordered to leave.

Italy's plea to EC
Italy will urge the EC to boost aid to North Africa to help counter the destabilising influence of Islamic fundamentalism, Foreign Minister Gianni De Michelis said.

China's Egypt visit
Chinese President Yang Shangkun arrived in Egypt on his first official foreign visit since pro-democracy demonstrators in Peking were crushed.

Ankara schools hit
Serious air pollution in Ankara forced schools to close for two days.

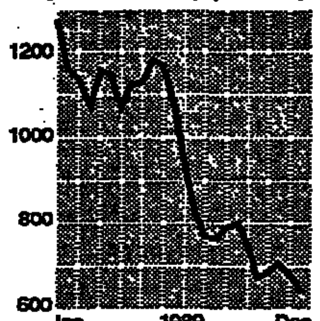
Business Summary

Lyonnaise calls halt to investment in UK water

Lyonnaise des Eaux, diversified French water company which has spent about £50m ($78.95m) on stakes in three of the newly privatised UK water companies, has called a halt to further market purchases. Mme Christine Morin-Postel, senior vice-president, ruled out further stakebuilding. Page 15

COFFEE prices were in retreat, with the second position shedding £14 to close at £649 a tonne – a 14-year low. The market is watching the Brazilian elections and this week's meeting in Honduras of Central American producers, who are planning a withholding scheme for new-crop arabica coffee. Page 28

Coffee
2nd position futures (£ per tonne)



WALL STREET stocks fell sharply amid a rout in the banking sector and other financial issues caused by nervousness over real estate loans. The Dow Jones Industrial Average fell 42.02 points to 2,697.53. Page 37

ROLLS-ROYCE and Snecma of France, Concorde's engine manufacturers, have signed a co-operation agreement which could lead to a second generation supersonic engine programme. Page 14

POLAND: Annual inflation reached 557 per cent by the end of November while industrial output continued to fall. Page 2

SOUTH AFRICA: Foreign buyers have returned cautiously to the Johannesburg equity market, reflecting improved overseas perceptions of the country's political prospects. Page 4

BANK OF FRANCE raised its key tender rate by half a percentage point to 10 per cent, bringing French interest rates to their highest since July 1985. Page 2

TOKYO STOCK Exchange has bowed to international pressure to admit 10 new members, three of which are likely to be foreign companies. Page 16

ASEA BROWN BOVERI, European engineering group, reported that it holds 96.7 per cent of the shares of Combustion Engineering, US process engineering and power services group. Page 16

RAND MINES, South African mining company, has blocked Anglo American Coal's R546m ($198.94m) bid for British Petroleum's share stake in the Middelburg export colliery. Page 17

CITIBANK, leading US bank, is establishing a new airline and aerospace financing unit in London to cover Europe, the Middle East and Africa. Page 18

AUSTRALIA'S central bank said it had allowed market cash rates to rise in November because it was unwilling to validate an early rally in domestic interest rate markets. Page 4

JAPANESE MINISTRY of Finance has said it will impose a tax on Euroyen futures traded at the Tokyo International Financial Futures Exchange. Page 18

City sealed off after police fire on protesters ● Tanks and helicopters called in

Romania closes borders

By Judy Dempsey in Budapest

ROMANIA yesterday closed its borders with Hungary and Yugoslavia and sealed off the city of Timisoara after police opened fire on a large demonstration at the weekend killing several people.

Romania was until the weekend the only country in East Europe, apart from Albania, not to have been swept by pro-democracy protests in recent months. Reports last night suggested that the demonstration, which one eye-witness put at 10,000-strong, had been the focus for strong protests against the Government of President Nicolae Ceausescu.

President Ceausescu is the one East bloc leader to have completely rejected the reforms sweeping other East European countries. His regime, dominated in its higher echelons by members of his own family, ranks among the most notorious for its supression of human rights.

There were sharp variations in the number of people reported to have been killed by police in the Timisoara clashes. One witness who crossed the border into Yugoslavia yesterday put the figure at six dead, but one news agency report referred to "dozens" of people being killed and another to "hundreds."

Following the unrest, the borders with Hungary and Yugoslavia were closed to all but official traffic, in an apparent attempt to prevent news filtering out to the West.

A report by the Yugoslav news agency Tanjug said Romanian security forces had taken full control of Timisoara in the west of the country by last night.

In Budapest, Mr Zoltan Kiraly, an independent member of Hungary's Parliament, said that tanks were in the streets of the city and in Arad, 40 miles north of Timisoara. However he gave no source for his report and no further details.

Sunday's demonstration appears to have been sparked off by the Romanian authorities' decision to send Father Laszlo Tokes, a dissident Lutheran pastor of Hungarian origin and a relentless campaigner for human rights, into internal exile.

The demonstration started in the form of a human chain around the house of Father Tokes and soon swelled into an opposition rally against the Government's policies.

On Sunday morning, after Mr Tokes and his pregnant wife were taken away by the police to an unknown destination, the angry crowds smashed windows and set fire to the town hall in Timisoara.

According to eye-witnesses returning to Hungary and Yugoslavia, the police and army were quickly moved into the city. They reportedly used tanks, water cannon and armoured helicopters to quash one of the biggest anti-regime demonstrations since November 1987, when thousands of workers in Brasov, central Romania, took to the streets, demanding bread and better living standards.

President Ceausescu left Romania yesterday for a scheduled visit to Iran, evidently confident that the Securitate, or security apparatus, could restore full control.

In Budapest yesterday, ethnic Hungarian and Romanian refugees, of which there are now more than 25,000 seeking shelter in Hungary, demonstrated outside the Romanian embassy. Last night, several independent political parties gathered in Hero's Square to protest against the crackdown and to voice their support for the Romanian population.

Chancellor Kohl of West Germany, who yesterday ended his three-day official visit to Hungary, added his support to the Romanian opposition. During a joint news conference with Mr Miklos Nemeth, the Hungarian Prime Minister, he expressed concern not only for the fate of the 200,000-strong ethnic German minority in Romania, but also about the country's human rights record.

Mr Nemeth said that "the Romanian people have an interest in finding, as soon as possible, a model nearer to their own roots. The only path is reform, democracy and development."

Voice of protest, Page 2

Iranian President Akbar Hashemi Rafsanjani (right) welcomes Romanian President Nicolae Ceausescu at Tehran airport, where he arrived yesterday for a three-day visit

Soviets call for freedom to buy Western technology

By David Buchan in Brussels

THE SOVIET UNION yesterday used the signing of its new 10-year trade and co-operation agreement with the European Community to call for a continent-wide "European economic space" and the abolition of security controls on Western technology sales to the East.

Mr Eduard Shevardnadze, the Soviet Foreign Minister, speaking after signing the new accord which will phase out quotas on Soviet industrial goods to the EC by the end of 1995, called for the formation of a "trilateral commission" comprising the Community, the European Free Trade Association (Efta), and Comecon, of which the Soviet Union is the largest member.

He also said that the Western alliance's restrictions on certain techhology sales were not only against the interest of the Soviet Union and East Europe but also of Western Europeans. He said maintenance of these controls operated by CoCom "depends essentially on the US."

Community ministers did not respond directly to Mr Shevardnadze's complaints about CoCom, but Mr Frans Andriessen, Brussels' external relations commissioner, indicated that the Commission might modify its long-standing ostracism of the Moscow-based Comecon organisation to which the Soviet Union and its six East European allies belong. But he said the EC should only reconsider its stance towards Comecon after the latter had completed the "radical restructuring" which Mr Shevardnadze promised yesterday.

Mr Shevardnadze will this morning visit the Nato headquarters in the city where he will meet Mr Manfred Wörner, Nato's Secretary-General, and ambassadors of the 16 Western alliance countries.

Signing an agreement with the EC constitutes almost as big a turnround in Soviet foreign policy as today's friendly visit by Moscow's top diplomat to the heart of Western defence planning.

The speed with which the Soviet Union has negotiated a deal with the EC this autumn partly reflects the fact that most of its exports to the Community, amounting to Ecu10bn ($11.7bn) last year, are fossil

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Foreign Affairs: East-West to North-South, Page 13

EC agrees single market for banking

By Lucy Kellaway in Brussels

THE LAST PIECE of the European Community's plan for a single market in banking fell into place yesterday as finance ministers adopted a directive setting minimum capital standards for banks.

This will come as a great relief to member states, to the European Commission and to European banks which had feared that this central piece of single market legislation could be spoilt by last-minute objections by West Germany.

The West Germans were persuaded yesterday to drop their demand for more favourable conditions for mortgage lending. The directive allows lower risk weightings for mortage lending until 1996, but the West Germans had wanted this extended for five more years.

In return, other member states have agreed to tear up an amendment to the directive that would have excluded new mortgages from the lower risk ratings. In addition, the Commission has promised to review the matter before the end of 1995.

Sir Leon Brittan, the Competition Commissioner, said yesterday that the adoption of both this latest directive and the second banking directive, which was agreed on Friday, would create "the largest and most open banking market in the world."

Both directives will come into place at the beginning of 1993. The second banking directive allows banks to operate in any member state on a single passport. The banking legislation will form a model for legislation now being drawn up for other parts of the financial services sector.

"This is a red letter day for the European Community, because financial services are catalysts, they are industries effecting other industries and the rate of economic growth," Sir Leon said yesterday. He hoped the reciprocity provisions would set an example to other countries to open their markets. The directive says that any third country bank wanting to operate in Europe must not discriminate against European banks in their home market.

● European finance ministers yesterday argeed to postpone until the end of 1991 the tricky matter of fixing a range for VAT rates following a steady drift away from the original goal of setting a common tax rate throughout the EC.

However, ministers gave the minimal commitment that, in the meantime, they would not move their rates any further apart than they are already: rates currently vary from zero to more than 30 per cent.

The UK which has repeatedly argued that the market should be able to decide the level of rates, represented yesterday's decision as a victory for its view. Mr John Major, the Chancellor of the Exchequer, reiterated the British position that the maintenance of zero rates would be critical in any future negotiation.

EC banking fraud proposals, Page 2

Rebuff by Brussels to Turkey on membership

By David Buchan in Brussels and Jim Bodgener in Ankara

TURKEY'S application to join the EC was effectively rejected yesterday. The European Commission advised EC governments against starting negotiations on Turkey's application for Community membership, but did not flatly rule out Turkish membership for ever.

The long-expected Commission rejection of Turkey's April 1987 membership application was couched in terms of the Community's general need to

Continued on Page 14

Compagnie Financière de Suez refinances takeover of Victoire

By George Graham in Paris

COMPAGNIE Financière de Suez, the French financial conglomerate, has completed an operation allowing it to refinance its takeover earlier this year of Victoire, the second-largest French insurer, and creating in the process a major new European insurance network.

Suez will resell a 34 per cent interest in Victoire to Union des Assurances de Paris (UAP), the largest state-owned French insurer, for FFr14.4bn ($2.4bn).

Dai-Ichi Mutual Life Insurance, the Japanese insurer, and Baltica Holding, the Danish insurance group in which Victoire in turn recently acquired a 22.5 per cent stake, will each pay FFr2.1bn for 5 per cent stakes in Victoire.

Victoire itself controls Colonia, the number two West German insurer bought by Victoire shortly before its takeover by Suez, as well as the recently acquired Nieuw Rotterdam.

UAP, meanwhile, has already built its own alliances, including 31 per cent of Royale Belge, the largest Belgian insurer, and 23 per cent of Sun Life in the UK.

The resulting network covers almost all the European insurance market. "It is now up to the managements of Victoire and Colonia to seize a chance which I would qualify as unique," said Mr Renaud de la Genière, Suez's chairman.

The three insurers will buy their stakes in Victoire at the same price that Suez itself paid in its takeover bid – FFr14,800 a share – although UAP's stake will be split between 11.5 per cent held directly in Victoire and 45 per cent in the Compagnie Industrielle holding company. The price values Victoire at FFr42bn.

The operation will allow Suez to recoup FFr18.1bn of its FFr25.5bn outlay on the Victoire group, most of which was due to be paid out yesterday. In addition, Compagnie Industrielle is to raise about FFr3.5bn by selling some of its non-strategic holdings, leaving Suez with only another FFr3.4bn to finance from its own resources.

Mr de la Genière said this amount would easily be funded by Suez's outstanding warrants, a large proportion of which are expected to be exercised in the next six months.

Suez's announcement yesterday follows three months of negotiations over how to refinance its takeover of Victoire – a takeover which it was forced into after years as the insurer's largest minority shareholder, with a consolidated interest of 42 per cent but no direct control.

UAP was immediately interested in taking a stake but insisted that its holding should be of at least 34 per cent, giving it a blocking minority. After preliminary agreement on this level, Suez then sought to revise the deal to bring in AIG, the large American insurer, on an equal footing with UAP. This was refused by

Continued on Page 14

MARKETS

STERLING
New York close
$1.6060
London:
$1.603 (1.6045)
DM2.7875 (2.7625)
FFr9.4525 (9.4475)
SFr2.4825 (2.485)
Y231 (231.25)
£ index 86.5 (86.6)

GOLD
New York: Comex Feb
$416.1 (418.3)
London:
$409.25 (412.25)

N SEA OIL (Argus)
Brent 15-day Feb
$19.425 (19.275)

Chief price changes yesterday: Page 15

DOLLAR
New York close
DM1.7220
FFr5.8810
SFr1.5420
Y143.65
London:
DM1.7265 (1.7225)
FFr5.8975 (5.8875)
SFr1.548 (1.549)
Y144.1 (same)
$ Index 67.9 (same)
Tokyo close: Y144.22

US LUNCHTIME RATES
Fed Funds $8\frac{7}{16}$%
3-mo Treasury Bills:
yield: 7.881%
Long Bond:
$103\frac{1}{32}$
yield: 7.848%

STOCK INDICES
FT-SE 100:
2,358.5 (+13.8)
FT Ordinary:
1,884.5 (+12.8)
FT-A All-Share:
1,175.95 (+0.5%)
New York close
DJ Ind. Av.
2,697.53 (−42.02)
S&P Comp
347.67 (−2.47)
Tokyo: Nikkei
38,586.18 (+315.14)

LONDON MONEY
3-month interbank:
closing $15\frac{1}{32}$% ($15\frac{1}{32}$)
Liffe long gilt future:
Mar $92\frac{1}{2}$ ($92\frac{23}{32}$)

MARKET REPORTS: CURRENCIES, Page 36; BONDS, Pages 17, 18; COMMODITIES, Page 28; EQUITIES, Pages 29 (London), 37 (World)

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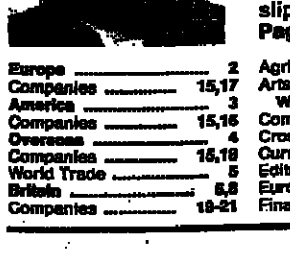
Angolan refugees find morale slipping as the years pass



Fourteen years after independence, as fighting continues with the forces of Jonas Savimbi (left), Angola's hopes for reconciliation are still not realised. Refugees who dream of returning find their morale slipping away.
Page 4

Tens of thousands hold political rally as Sakharov is buried in Moscow

By Quentin Peel in Moscow

DR ANDREI SAKHAROV, the father of the Soviet human rights movement, was buried in Moscow yesterday, after tens of thousands of Muscovites transformed a memorial meeting into a political rally demanding ever greater radical reforms.

The biggest meeting of dissident groups seen in the Soviet capital in decades brought up to 80,000 people together outside the Luzhniki sports stadium, to pay tribute to the Nobel Peace Prize-winner and atomic scientist, who died last week.

They gathered in spite of a massive security operation by the Soviet militia and in spite of filthy Moscow winter weather, with snow and sleet discouraging all but the most dedicated from attending. The police, backed by several hundred Interior Ministry troops, barred off streets for almost a mile around the meeting place, stopping traffic and pedestrians from getting near.

In spite of the operation, launched because of the authorities' apparent fear that the funeral would turn into the same sort of mass popular demonstration which has sparked political upheavals in East Germany and Czechoslovakia, thousands marched behind Dr Sakharov's coffin from the Institute of Physics to the old tram marshalling yard outside the Luzhniki stadium.

There, under the watchful eyes of troops and police, and with goods wagons rumbling along the main freight railway line, speaker after speaker praised the human rights campaigner's lifelong fight for political freedom and justice, and his role up to his death in leading radical opposition to the Communist party.

The crowd bore huge wreaths, individual flowers, portraits of Dr Sakharov, and blatantly political slogans. Flags throughout the crowd showed supporters from every part of the Soviet Union, including all the main nationalist movements: from the Baltic republics, Armenia, Georgia and the Ukraine, as well as the Russian Popular Front and the Democratic Union.

Simultaneously, a requiem Mass for Dr Sakharov was held in the Cathedral Square in Vilnius, the Lithuanian capital, and in a square already named after him in Yerevan, the Armenian capital.

None of the official Soviet leadership attended, although earlier President Mikhail Gorbachev, Mr Nikolai Ryzhkov, the Prime Minister, and several politburo members, paid their respects as Dr Sakharov lay in state at the Presidium of the Academy of Sciences.

On Sunday night, as many as 100,000 ordinary citizens did the same in the House of Youth, where they filed past his open coffin until midnight, braving a temperature of minus 20 Celsius.

At yesterday's rally, a series of speakers from the radical Inter-regional Group of deputies in the Soviet Parliament gave tributes, several urging their colleagues to form a proper parliamentary opposition, as they said Dr Sakharov would have wished.

A large picture of Sakharov precedes his coffin at yesterday's funeral

France puts up key interest rate half a point

By William Dawkins in Paris

THE Bank of France yesterday raised its key lender rate by half a percentage point to 10 per cent, the fourth increase this year, bringing French interest rates to their highest since July 1985.

The move was intended to support the franc, contribute to monetary stability and fight inflation, said separate communiqués from the Finance Ministry and the bank.

At the same time, the bank lifted its 5-10 day repurchase rate by half a point to 10.75 per cent. Rates last rose (by three-quarters of a point) in October, when France took part in a general increase by nine European countries, led by the Bundesbank.

The *franc* has since come under pressure against a rising D-Mark – in turn influenced by a weakening dollar – so that its value has moved towards its bottom limit in the European monetary system's exchange rate mechanism.

Economists interpreted yesterday's move as sign of the Government's determination to resist any EMS realignment at this politically sensitive time in the European Community's debate on monetary union.

A persistently inadequate domestic savings rate and rising demand for short-term bank credit also lay behind yesterday's decision, said the Finance Ministry.

Bonn withdraws from Nato frigate project

By David White, Defence Correspondent

PLANS for collaboration on a new frigate between the US and Nato allies have moved a step nearer complete disintegration with West Germany's withdrawal from the project.

Bonn has told its partners it is pulling out both from the planned NFR90 joint ship design and from the Nato Anti-Air Warfare System (NAAWS), a US-led project for equipping the new generation of warships.

The decision is likely to be viewed by the US and other allies as a worrying signal about West Germany's reluctance to increase its financial commitments to new defence projects. Bonn has said it has no requirement for an air-defence frigate.

Its withdrawal leaves only four of the original eight partners still committed to continuing with the NFR90 programme for the time being but without linking it to a specific weapon system for defence against air attack.

The question of the weapon system and the cost and timescale for developing it has dominated recent discussions about the project.

Britain, which was the first to quit the frigate project in September, announced earlier this month it was joining France and Italy in developing an alternative weapon range, Family of Anti-Air Missile Systems (Fams). It is now trying to woo Spain to form a new consortium.

Spain *currently remains in* the NFR90 along with the US, Canada and the Netherlands. Until West Germany's pull-out, the Spanish had been expected to stick with the rest of this group in backing NAAWS.

An international agreement for pursuing the NAAWS programme was scheduled for signature by the end of last week but is now expected to be put off by several months.

The future of the joint hull design, currently in the middle of a two-year project definition phase, is expected to be decided next month.

SUPPORT FOR EVENTUAL UNITY AS CITY PREPARES FOR SUMMIT

People of Dresden back economic help from Bonn

By David Marsh in Dresden

THE SEA of black, red and gold German flags swamped through the streets of Dresden last night in a demonstration marking the most convincing East German call to date for national unity with West Germany.

At least 50,000 Dresdeners marched to an open air meeting in a show of solidarity ahead of the visit here today of Mr Helmut Kohl, the West German Chancellor. Participants said the number of German flags were more numerous than on other Monday night marches through Dresden.

Demonstrators chanted "Germany: One Fatherland," the words of the East German national anthem, until recently *banned from being sung*. Only a few counter-protests were made against the aim of German unity, but demonstration organisers urged vigilance against polarising the pro and anti-unity forces and appealed for non-violence at today's historic summit between the two German states.

Talks between Mr Kohl and Mr Hans Modrow, the East German Prime Minister, will focus on Western efforts to aid the moribund East German economy. But, as the city buzzed wih expectations, the summit is likely to be overshadowed by the warmth of the reception being prepared for Mr Kohl by ordinary East Germans.

In Dresden's Christmas market yesterday, decorated with Christmas trees looking more sickly than those in West Germany, only two East Germans out of 10 interviewed in an informal FT poll had any qualms about reunification.

The main preoccupation was the economy. "The first priority is economic help – otherwise the place will be empty," said Mr Klaus Liebe, a young man holding a baby. He believed that East and West Germany might be "together" by the year 2000.

Another man from the area, Mr Johannes Nawratir, scotched worries about a "sell-out" to the powerful West. "If you have been living here for 40 years, you are not concerned about being taken over. We have been sold out already – we can only go uphill," he said.

Mr Heinz Hennid, a 72-year-old pensioner, complaining *that he got only E Mark 440 a* month as pension (roughly £20 at the unofficial exchange rate), said: "Without help, the state is kaput". Expressing enthusiasm about unity, he said East Germany needed "a market economy, competition, and the law of supply and demand".

Mr Michael Müller is pastor of the Protestant Church of the Cross in the city centre, the best of whose baroque treasures have been rebuilt after the 1945 bombing but which is still showing signs of the war. He said Dresdeners had been *asked by local government* leaders to welcome Mr Kohl "with joy, but in moderation."

But he estimated that 100,000 people might turn out today to welcome the Chancellor. "He is popular – he is a symbol."

The Chancellor had earlier planned to make a speech today in Mr Müller's church, which can hold a maximum 5,000 people. The plan was shelved, however, because of the expected crush, and Mr Kohl is now expected to address a far larger crowd in the open air this afternoon.

Back at the Christmas market, Mrs Ines Schlegel, a young mother in blue wheeling a plump baby with a pink woolly hat, said reunification "would be very good but we have to recover first".

One elderly lady said she was opposed to unity. She talked of the danger of right-wing extremists – "I have lived through the war".

Mr Markus Kerer, an intellectual-looking youth, said he rejected the prospect of immediate unity, but saw it coming in 10 years, as part of a demilitarised Germany.

Mrs Brunhilde Pieper, a widow who said her pension of E Mark 419 a month was not enough to pay the rent, said she favoured German unity. "It would be good for our children and grandchildren."

Mr Bernd Halm and his wife Sylvia said they favoured "good relations" with the West, but not unity straight away. "*The main thing is the economy*," said Bernd.

Mr Frank Rehwein, another young father with a three-year-old child, said it was a "good thing" that Mr Kohl was coming. "In West Germany, it's like a dream... In the next five years, we will grow together."

EAST GERMANY'S largest opposition group, New Forum, yesterday demanded that opposition groups should be allowed to participate in government meetings until free elections are held next spring, writes Leslie Colitt in Berlin.

At round-table talks between the Government and nine opposition groups, New Forum charged that the Government of Mr Hans Modrow, the Prime Minister, was in "no manner" legitimised by the population and had to be controlled. The demand was rejected as "destabilising" by the Communist party and four other established parties at the talks.

All the groups, however, agreed on the need to discuss the nature of their co-operation with Mr Modrow until the national elections. The first round-table talks on December 7 proposed elections for May 6, a date not yet officially approved but widely accepted.

The round-table participants appealed to the inter-German summit meeting today in Dresden to respect the sovereignty of East Germany. They called on Mr Modrow and Chancellor Helmut Kohl to achieve results which benefited the citizens of both countries.

They also warned against the danger of an economic "sell-out" of East Germany to the larger and more powerful West Germany and cautioned against allowing neo-Nazis and other right-wing extremists to enter East Germany from the West.

Four new groups were accepted by the round-table: a farmers' organisation, an independent women's movement, the official trade union federation and an ecological group.

Neues Deutschland, the Communist party newspaper, gave its front page masthead a radical face-lift yesterday. Under the title, the words "Socialist daily newspaper" replaced the former "central organ of the Socialist Unity Party." The appeal "Workers of the world, unite!" from the Communist Manifesto was also eliminated.

Last weekend the party, instead of changing its name as many members had wanted, added on the initials PDS for Party of Democratic Socialism.

Polish inflation increases to 557 per cent

By Christopher Bobinski in Warsaw

ANNUAL inflation in Poland reached 557 per cent by the end of November while industrial output continued to fall, the Government's central statistical office, reported yesterday.

Despite the record growth in prices over the year, a lower rate of increase in food prices in November compared with October contributed to a slowing of the monthly inflation rate, to the surprise of the authorities.

The Finance Ministry is expecting inflation in December to mount by 30 per cent compared with last month and then leap by 50 per cent in January, as energy prices go *up seven-fold*, the Polish zloty is devalued and price controls dismantled.

Last month, inflation grew by 23 per cent compared with October when prices rose by 55 per cent on the previous month. Wages growth in November, at 23.7 per cent, matched the rise in prices. Yesterday, the national bank devalued the Polish zloty against the dollar for the 10th time since the new Solidarity Government came to power, by 17 per cent to a level of 6,000 zloty.

The devaluation is in line with policies agreed with the International Monetary Fund, with whom the authorities are expecting to sign a letter of intent today on an adjustment programme.

Yugoslavia plans new convertible currency

By Aleksandar Lebl in Belgrade and John Lloyd in London

THE YUGOSLAV Government yesterday introduced a programme of economic and political reform which would bring in a new convertible currency unit from January 1, introduce tight monetary and budgetary controls, a six-month wage *freeze and political and legal* liberalisation measures.

Mr Ante Markovic, the Prime Minister, told the federal Parliament that a solution to the country's crisis "is not possible without a completely new economic and political system that would ensure economic efficiency and political democracy with full freedom and human rights."

The package has yet to pass the federal and republican assemblies – though *Mr Markovic has said the Government* will resign if it is not approved. The level proposed for the new Yugoslavian dinar is to equal 10,000 of the present dinars. It will be pegged at the rate of 7 dinars to the D-Mark and fluctuate according to its movements. Wage levels will also vary according to the D-Mark's movements.

The dinar was yesterday trading at 64,794 against the *D-Mark, 112,287 against the US* dollar and 179,282 against sterling. Included in the package was the announcement of an end to monetary expansion, severe limits on the budget, the free formation of interest rates (set in the past by the National Bank) and state control of the prices of electricity, petrol, rail transport, rents, postal services and medicines.

Mr Markovic said that foreign exchange reserves of $5.8bn, with promises of up to $4bn more, would help withstand the initial shock of convertibility. All Yugoslavs could buy foreign currency without restrictions.

SPD struggles to keep up with reunification debate

By David Goodhart in Berlin

WEST Germany's opposition Social Democrats yesterday tried to win back the domestic political initiative in the debate over the future of the two Germanys. The SPD attempted this by supporting the idea of confederation but insisting, in contrast to the ruling Christian Democrats, on unqualified recognition of Poland's existing western border and no modernisation of short-range nuclear weapons.

The first day of the special congress in West Berlin, originally called to pass a new party programme to replace that agreed in Bad Godesberg in 1959, was overshadowed both by the passing of a "Berlin Declaration" on the Germans in Europe and by an unexpectedly nationalistic speech from Mr Willy Brandt, the SPD's honorary chairman.

Mr Brandt, who has been the SPD's main political asset in the recent weeks of argument over the German question, gave a clear warning to the Allies that any attempt to use their residual power to block moves towards unity could release a sharp "nationalistic reaction".

The other main speeches and the Berlin declaration itself, were more cautiously framed and remained deliberately vague over how full unity would supersede confederation.

Mr Hans-Jochen Vogel, the party chairman, said full unity could only come along with a gradual demilitarisation of the two military blocs and also called for a new Helsinki conference to give fresh impulse to the development of a "European peace order".

The SPD's confused reaction to Mr Helmut Kohl's 10-point plan for unity plus the party's vulnerability to the accusation that it has been too close to the now discredited communist leadership in East Germany have together damaged the party's standing as the national election year approaches.

The Berlin declaration closely resembles Mr Kohl's 10-point plan in many respects. However, the SPD document places greater emphasis on disarmament, integration within the EC, and the Polish border question.

The document also goes some way to acknowledging the fears, expressed in particular by Mr Oskar Lafontaine, the outspoken deputy chairman, about the burden on West Germany's social security system from an uncontrolled *inflow of East German immigrants*.

Luxembourg remains opposed to EC anti-fraud proposals

By Lucy Kellaway in Brussels

THE PROSPECTS of a common European system to eliminate fraud and tax evasion by investors looked remote last night, as the state of Luxembourg showed no signs of dropping its opposition to the scheme.

The difficult progress came despite the heavy political pressure for an agreement that was issued by the Strasbourg summit, where heads of Government instructed ministers to speed up measures on savings taxation.

The directive would require countries to make financial information available to one another concerning savers in each country. Luxembourg has agreed to do this only in cases where criminal proceedings have started against the investor. Luxembourg argues that to do so any earlier would be against its laws on banking secrecy.

However, this is not acceptable to many member states, including Belgium, Italy and the Netherlands, all of which argue that much closer co-operation is needed.

The directive is all that is left of original plans to harmonise savings taxes across the community. Earlier this year member states rejected any idea of imposing a common withholding tax, agreeing instead to the principle of greater co-operation to combat fraud.

Voice of protest starts to make itself heard in Romania

Judy Dempsey assesses the gathering signs of dissent in a population cowed by the Ceausescu regime

ROMANIA'S President Nicolae Ceausescu continues to keep the shutters firmly closed against the winds of reform sweeping *across Eastern Europe. But as last* weekend's unprecedented demonstration in Timisoara indicates, people are searching desperately for a way to unlock one of the last bastions of neo-Stalinism.

The future of an increasingly anachronistic regime now centres on two phenomena.

The first is the ethnic problem. Last Saturday, in bitterly cold temperatures, more than 200 ethnic Hungarians formed a human chain around the home of Fr Laszlo Tokes, a Protestant pastor, who has been under virtual house arrest for the past month.

An ethnic Hungarian and relentless campaigner for human rights and for the protection of the rights of Romania's 1.5m-strong ethnic Hungarian minority, Fr Tokes provoked the wrath of the Securitate, the state security organisation, when he gave an interview last summer to Hungarian television. In the interview, he *recounted the harsh conditions under* which ethnic Hungarians and Romanians live.

For daring to speak out, four "burglars" last month broke into his flat, beat him up and threatened to kill him.

In a country which is dominated by rumour, informants, and above all, by fear, Fr Tokes's bishop refused to support him. But the pastor himself continued to speak out. It was then that the authorities decided to send him into internal exile to a remote village in the Carpathians. This was the catalyst which led to last Saturday's masss demonstration.

That cold night, between 200 and 300 ethnic Hungarians formed a human chain around Fr Tokes's house to prevent his "deportation". According to eye-witnesses returning to neighbouring Yugoslavia and Hungary, the crowd swelled into thousands and was joined by Romanians *shouting anti-Ceausescu slogans*.

The authorities reacted by sending in tanks. Shots were fired from police helicopters, and scores of people were injured and arrested. Since then, the borders with Yugoslavia and Hungary have been practically sealed off in an attempt to prevent news from seeping out, and to minimise the contagion of reform spreading from other East European countries into Romania.

So far, through sheer force, the authorities have managed to contain the unrest. But growing ethnic discontent is not the leadership's only problem; it also has to contend with continuing, sporadic demonstrations by an impoverished work force.

On December 8, workers at the Red Star factory in the central city of Brasov, home of the country's 200,000-strong ethnic German minority, downed tools following power cuts. Unable to work because of the cold, they demanded that the management *itself try to work on the shop-floor*. Again, the authorities responded with force, just as they did in November 1987, when thousands of Romanians took to the Brasov streets demanding bread and an end to rationing.

Despite evidence of increasing unrest and growing Western criticism, President Ceausescu and his extended family still have a tight hold on the reins of power. Allies like China, North Korea and Cuba provide useful ideological backing, but the leadership depends for physical support on the dreaded Securitate. Above all, it can rely on a society which is dominated by fear – a factor which explains why the opposition has been unable to organise itself.

The hermetic and paranoiac nature of the Romanian political system, combined with the pervasive presence of the Securitate, means that any *decision to take* to the streets can be a matter of life or death. "It is not imprisonment we fear. It is death," a Romanian businessman recently commented.

This was the choice six brave intellectuals made last March when they addressed an open letter to Mr Ceausescu highly critical of the regime. They were subsequently dragged from their homes and taken into internal exile. Their whereabouts are unknown. The dissident poet, Mrs Doina Cornea is under a 24-hour guard in her house in Transylvania for her repeated *criticisms of the regime*.

But now, with incidents of ethnic unrest, of sporadic worker discontent, and open letters from intellectuals, the three forces are slowly find a voice.

Portuguese public signals its discontent on economy in local elections

By Patrick Blum in Lisbon

PORTUGAL'S Social Democratic Government yesterday put a brave face on its *defeat by the Socialist party* (PSP) in nationwide local elections on Sunday.

While the ruling Social Democratic party (PSD) retained the largest number of seats on local councils, its total vote fell below that of the Socialists *who won control of several of* the country's big cities, including Lisbon and Oporto.

The results confirm that the Socialists are once again a serious force and will be in a strong position to challenge the Government in the 1991 general election.

Incomplete results show the Socialist party winning more *than 32 per cent of the vote* (not including localities where it was allied with other parties) to the PSD's 31.4 per cent. The PSD alone had won 586 seats to the Socialists' 541.

Later returns are not likely to change the overall balance *between the two parties*. There was a clear polarisation between the main parties at the expense of the smaller parties on the right and left whose vote declined markedly.

Several factors account for the PSD's poor showing. While the Government can claim to have achieved record growth and investment rates and low *unemployment, inflation is* high at more than 12 per cent. Efforts to curb prices by squeezing credit and raising interest rates have hit consumers and small industry.

Pay, particularly in the large public sector, has not kept up with *inflation and the past few* months have seen a spate of strikes and protests among transport workers, civil servants, teachers, and health service workers.

There is a feeling that Portugal's new-found prosperity is not distributed as evenly as it could be. Also, the Government's high-handed attitude *has not helped, nor have the* ruling party's internal squabbles. As soon as the results were known, Mr Anibal Cavaco Silva, the Prime Minister and PSD leader, sought to minimise his party's defeat in the country's main cities by claiming *an overall victory in the country*. But the loss of Lisbon and Oporto, as well as of several other cities which had been under PSD control, is a blow which will undoubtedly be followed by further dissent within the party.

For the Socialists, the results were an unequivocal success. Mr Jorge Sampaio, their leader *who successfully ran for the* post of mayor of Lisbon, told a jubilant crowd outside party headquarters on Sunday night: "This is a clear defeat for the Government and for the PSD." The results indicated a desire for change and demonstrated *that the Socialist party* was an alternative at the national level, he said.

Mr Sampaio who is expected to be a candidate for Prime Minister in 1991, will now have a choice platform as the capital's mayor to challenge the Government. The Socialists' success and his personal victory in Lisbon have also *vindicated his controversial decision* to form an alliance in the capital with the hardline Communist party.

The Communists, led by the veteran Mr Alvaro Cunhal, has shunned until now the reform movement sweeping Eastern *and Western Europe. Calls for* internal party reform have been swept aside by Mr Cunhal who, at 76, shows little sign of wanting to step down.

The party's vote, at around 12 per cent, has steadily fallen since its heyday during the 1975 revolution when it came close to power. Nevertheless, its decline has not encouraged *Mr Cunhal* to change his Marxist views.

The Government and the PSD sought to discredit Mr Sampaio for the Socialists' alliance with the Communists, but the strategy appears to have backfired. Mr Sampaio seems to have benefited from a growing unease in the country about some of the effects of the Government's liberal market policies and, more importantly perhaps, about the Prime Minister's somewhat professorial and technocratic style.

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AMERICAN NEWS

White House to decide on budget

By Peter Riddell, US Editor, in Washington

PRESIDENT George Bush and his senior advisers will this week finalise decisions on the US budget for fiscal 1991 starting next October which will reduce the federal deficit to the statutory target of $64bn without new tax increases.

The package, to be sent to Congress on January 22, will involve a combination of spending cuts and assumed increases in revenue as a result both of minor changes to existing taxes and charges and of the initial boost to revenue from a proposed cut in capital gains tax.

On spending, the Administration will propose a squeeze in various discretionary programmes, holding increases in cash terms to less than the rate of inflation, as well as cuts in entitlement programmes, such as Medicare health assistance and farm subsidies.

Only limited immediate savings in the Pentagon budget will be proposed for fiscal 1991, amounting to a few billion dollars below currently projected levels for next year. However, in contrast to the rise in defence spending of 1 to 2 per cent in 1991 forecast last February, a fall of a similar size in real, inflation adjusted, terms is now likely.

Moreover, congressional leaders have already indicated that they may seek to reduce defence spending below what the Administration proposes.

A key element in the President's budget will be the forecast that the US economy will expand by 2.6 per cent in the year to the fourth quarter of 1990. This is regarded by many outside economists as too optimistic in view of the recent signs of economic slowdown, though the Administration's forecasts have turned out to be accurate for the current year.

The Federal deficit is now declining, in absolute as well as relative terms. After turning out at around $152bn in the 1989 fiscal year which ended on September 30, even the normally cautious Congressional Budget Office has recently estimated that the total could drop to $128bn in fiscal 1990. The Administration's Office of Management and Budget expects the deficit to be within the target range of between $100bn and $110bn.

There is no sign of any agreement between the Democrat-controlled Congress and the Administration over the 1991 Budget. The deal reached last April for fiscal 1990 was subsequently strained by the long battle over capital gains tax and an agreement was patched together only a month ago after the across-the-board cuts in spending known as sequestration had been in place for seven weeks.

In the absence of immediate market pressures there is little political will for a grand budget deal involving higher taxes and reduced entitlement programmes which would put the deficit on a long-term downward path.

Argentine musical chairs ends with Gonzalez in the hot seat

The new economy chief takes over at the worst possible moment, writes Gary Mead

CHRISTMAS is a time for new board games. If an economists' version of Trivial Pursuit exists, Argentina in 1989 should have pride of place. Which country had the highest monthly inflation? Which had a new economy minister every two months on average? And which saw its currency collapse from 17 to 1,600 units to the dollar?

Argentina's sixth economy minister in 1989, Mr Antonio Erman Gonzalez, takes over at a most difficult moment in Argentina's economy. Many argue that last July's 196.6 per cent inflation rate must have been the economy's lowest point. But Argentina at least then had the prospect of a new government, with new ideas.

That prospect has disappeared. President Carlos Menem's Peronist government, after less than six months, has failed to provide the confidence and stability craved by the country and its creditors. It is difficult to see what Mr Gonzalez can do to correct the crisis, without at first deepening it.

The departure of Mr Nestor Rapanelli as Economy Minister is, however, not simply the fading of a name. It also represents the first and most serious crack in the single alliance on which President Menem had built his hopes.

Mr Rapanelli, like his predecessor Mr Miguel Roig, (who died in July from a heart attack after just a week in charge of the economy), was in effect designated by Latin America's largest multi-national company, Bunge and Born, which made its family fortune from grain trading in the 19th century.

Both Mr Roig and Mr Rapanelli were senior vice-presidents of Bunge and Born, who with the backing of Bunge and Born's owners Juan and Jorge Born, threw themselves into a last-minute rescue attempt of the economy.

Although Bunge and Born operates in more than 20 countries it remains headquartered in Buenos Aires. What was good for Argentina was good for Bunge and Born – and vice versa, so everyone claimed.

But Mr Rapanelli was flattened, in the second week of December, by implacable laws of economics. On December 10 he announced a 35 per cent devaluation of the austral, to try to hold its black market rate from galloping too far ahead and destroying his stabilisation plans.

But within three days of that devaluation the market responded in a manner which has been seen all through 1989: when governments falter, buy dollars. The black market rate for the dollar jumped from 950 to 1,500 astrals against the newly fixed official rate of 1,000. Mr Rapanelli's resignation, was inevitable.

Moreover, retail prices have soared by between 50 and 100 per cent; public sector tariffs have been raised by between 20 and 100 per cent. Rather than inflation being 15 per cent for the whole of 1990 (as Mr Rapanelli and President Menem promised the International Monetary Fund in a new letter of intent in November), Mr Gonzalez will do well to keep it below 15 per cent for January. The net effect for the average consumer, after a hastily granted government-backed pay increase, but set against current inflation, is to leave him at least 20 per cent worse off than two weeks ago.

But the most serious political consequence of Mr Rapanelli's failure is that President Menem is now running out of powerful allies. He has alienated the important Buenos Aires wing of his own Peronist party by failing to give it the national political influence it feels is its due. He faces a divided and hostile trade union organisation. Bunge and Born was his last life raft and now it is drifting away.

The appointment of Mr Gonzalez is an indication of how desperate Mr Menem is becoming to surround himself with people from the good old days. Although Mr Gonzalez is not a Peronist (formally he is a member of the Christian Democrat Party), he was for a long time Treasury Minister for Mr Menem in the province of La Rioja where the President was governor before winning the presidential election in May.

Mr Gonzalez has twice shifted office since Mr Menem took over in July, holding first the vice-presidency of the central bank before moving to head the Health and Social Welfare Ministry.

Mr Gonzalez's main function in La Rioja was to administer the industrial promotion scheme, a national government subsidy designed to bring development to remote regions. The scheme was used by most of its beneficiaries as an easy tax avoidance scam, at great cost to the national exchequer.

In terms of experience, therefore, he might not be considered the best person for a post where the universally agreed priority is to cut wasteful state expenditure unbacked by genuine earnings.

Bush voices concern on Panama

By Peter Riddell

THE Bush administration yesterday stepped up its concern about what it called "a very disturbing climate of aggression" in Panama against US citizens after the murder of an American officer on Saturday and other incidents.

The tension increased further last night after another shooting incident, in which a US army lieutenant apparently wounded a Panamanian policeman. A US defence official said the lieutenant drew his pistol and fired twice after the Panamanian traffic officer had approached and drawn his own gun.

President George Bush described the Saturday murder as "an enormous outrage" but declined to discuss what the US options might be in response. He admitted, however, that "one of the frustrations I've had during this year is the whole Panama situation".

The original US response was to describe the murder as an isolated incident but the reaction yesterday was stronger in view of further hostile acts after Friday's declaration by Panama of war against the US.

Mr Marlin Fitzwater, the President's press spokesman, said that the declaration of war appeared to have "set off a pattern of indiscriminate violence".

Apart from the killing, "a naval officer was beaten and interrogated, his wife sexually threatened and harassed. Other members of the US military were detained, their weapons, and radios taken away from them after questioning and then released."

He noted the timing of the incidents, all involving the Panamanian Defence Force, when put together pointed to "a certain climate of aggression that is very disturbing".

The Administration has been sensitive over Panama since the failure of its efforts to oust General Manuel Noriega, the country's strongman and, in particular, the collapse of a coup attempt against him on October 3.

Wealthy Collor rises above Brazilian taunts of privilege

AMONG the myths surrounding Mr Fernando Collor de Mello – now all but officially Brazil's president-elect – is the report that the young state governor decided to launch his bid after reading The Selling of The President, writes Ivo Dawnay in Rio de Janeiro.

Inspired by the book about Richard Nixon's successful 1968 campaign, Mr Collor is said to have enlivened a dull visit to China by devising a strategy to repeat the exercise in Brazil. Certainly, when last April he leapt from nowhere to a commanding lead in the polls, commentators could only attribute his rise to some astonishing propaganda coups.

On winning office as governor of the tiny Alagoas state in the poor north-east, Mr Collor then only 38, immediately grabbed national headlines. His high profile "war on the Maharajahs" – a few dozen civil servants earning above $100,000 in a state where most wages are below $50 a month - drew immediate attention.

When he then broke with the discredited government of President José Sarney - he was the only state governor to advocate a four-year presidential term as opposed to five - he confirmed his credentials as a national figure.

But, as his opponents never tire of pointing out, the self-styled "people's candidate" could hardly come from a more privileged background. His wealthy family is typical of the so-called colonel class that have wielded near-feudal powers in the region for generations. The Collor de Mellos have business interests in newspapers and television, where their broadcasting franchise forms one of the tentacles of the supremely influential (and conservative) Globo network. But politics has long been the dynasty's first love.

At about the time that Lula his losing opponent, was being harassed as a union militant, Mr Collor was appointed by the regime as mayor of Maceio, capital of Alagoas. He has since changed political parties four times; from military right to what he defines as the libertarian centre.

Throughout the presidential campaign, a fair proportion of the mud hurled against the candidate has stuck. His claims, for example, to have reduced the privileges of the local sugar barons are now highly suspect. Yet the left's allegation that Mr Collor is a mere "video clip" – a skilful piece of marketing by the old oligarchy – has not been proved.

In many respects, his vision of Brazil as a modern, liberal democracy and not merely a leading Third World power is far in advance of most political leaders.

Standing against him is his own notoriously volatile temper and a tendency to arrogance.

SEC seeks international deals on market regulation

By Janet Bush in New York

THE US Securities and Exchange Commission, which regulates US securities markets, said yesterday it was creating an Office of International Affairs to focus on developing regulatory accords with counterparts overseas.

Mr Richard Breeden, SEC chairman, said the move underlined the priority that the Commission placed on international co-operation. He said that the Commission was eager to sign accords with regulators providing for co-operation on a range of regulatory areas such as net capital levels and registration standards for broker-dealers. Last week, the SEC signed agreements with regulators in France and the Netherlands.

The office will be directed by Mr Michael Mann, most recently Associate Director for International Affairs in the SEC's Enforcement Division.

Mr Breeden plans to visit Japan early next year to discuss how a 1986 bilateral agreement could be improved. He would also like to discuss the implications of legislation which would repeal the 1933 Glass-Steagall Act which separates US commercial and investment banking.

Gacha's death unlikely to halt Colombia drugs flow

By Sarita Kendall in Bogotá

FOR the Colombian Government the death of Gonzalo Rodriguez Gacha, the cocaine trafficker killed with his son and five bodyguards on Friday, was a desperately needed success in the four-month drug war.

It came at a low point in President Virgilio Barco's prestige, when many Colombians were expressing resentment at paying the price for fighting US cocaine consumption.

Although Mr Pablo Escobar is considered the Medellín cartel's top man, Gacha, 42, was its military commander. He was wanted in the US for trafficking and had been accused of mass murder in Colombia.

While Gacha's death gives the Government a boost, it is not expected to have much effect on the northward flow of cocaine to the US, where prices for the drug have not risen.

Other trafficking groups such as the Cali cartel tried to stay out of trouble after the assassination earlier this year of Senator Luis Carlos Galan, which sparked the Government's anti-drugs war.

Many believe that Mr Escobar may adopt a similar strategy and, instead of retaliating to avenge Gacha's death, will keep his head down. This could ease the way for a "narco dialogue" with whomever is elected president next May.

On the day of Gacha's death, the President had an important political reprieve: the constitutional reform package foundered in Congress and, with it, next year's referendum on constitutional changes.

In open rebellion against government policy, the House of Representatives and a Senate committee had tried to include a question on the extradition of traffickers to the US in the referendum.

OVERSEAS NEWS

S African shares surge in sign of foreign optimism

By Patti Waldmeir in Johannesburg

FOREIGN buyers have returned cautiously to the Johannesburg equity market for the first time in several years, reflecting improved overseas perceptions of South Africa's political prospects.

Johannesburg stockbrokers say that the past six weeks have shown a marked upsurge in foreign buying of South African equities, with foreigners becoming net buyers of South African equity in significant amounts for the first time since before the country suffered a currency crisis in 1985.

In the year to the end of October, brokers estimate that net sales of equity by foreigners totalled R2.8bn (£683m). But since that time, the trend had reversed, with foreigners making net purchases of some R200m.

"We've been doing a substantial amount of business with overseas customers, for the first time in years," said one broker, who said the recovery in the gold price was the main factor attracting renewed foreign interest.

However, brokers argue that the surge in the gold price, which has risen from a 1989 low of $356 an ounce to close in London yesterday at $409.25, *would not on its own account* for the increase in foreign buying.

"The market is saying that there has been a shift in political perceptions," said one broker. "Until a few months ago, you would not have seen this much foreign interest." Brokers noted that Mr F. W. de Klerk, the South African President, had undertaken significant political reforms since the National Party was returned to power on September 6, and that his promises of further change had encouraged optimism abroad.

Foreigners' equity purchases, which are concentrated in mining shares, had been a significant factor behind the rise in the JSE gold index, which has gained 26 per cent since the end of October, brokers said.

For the year to last Friday, the gold index has risen 70.6 per cent.

They noted that the influence of foreigners in the gilts market was even more pronounced. Non-residents had been active buyers in the market for most of the year, but purchases had picked up sharply in recent weeks.

Foreign buying was cited as an important factor driving a bull run on the gilts market, brokers said, noting that the yield on the benchmark Eskom 11 per cent 2007/09 stock had fallen from more than 17 per cent a fortnight ago to close last night at 15.34 per cent.

Foreigners were attracted by the fact that while purchases were made at the financial rand rate, interest could be repatriated at the commercial rand rate, a differential of around one third. This meant that overseas investors could earn a return of 20 per cent or more on South African bonds.

Hong Kong lends out brains to stop drain

John Elliott reports on why colony companies are finding their best staff jobs abroad

ABOUT 30 per cent of Hong Kong companies hit by the colony's ethnic *Chinese brain-drain* are organising jobs abroad for their emigrating professional and managerial staff. This is aimed at attracting the employees back when they have obtained foreign *passports* and it is most prevalent in financial and professional services companies.

The figures were published yesterday by the Hong Kong Institute of Personnel Management in two surveys which provide the first detailed analysis of the brain-drain's impact on various sectors and of company responses.

About *55,000 people are* expected to emigrate next year in order to obtain foreign passports before Hong Kong reverts to Chinese sovereignty in 1997.

Almost 60 per cent of the 1,700 professional people covered in one survey were potential emigrants before the June *crisis in China. Mr F.G. Maule*, past president of the institute, estimated that this figure is now around 70 per cent.

Even before June, only 25 per cent of the total were classified as *"potential stayers"* who did not plan to leave. The actual number ultimately staying, however, is much higher because of immigrant quota systems operated by countries *such as Canada and Australia*.

More than 60 per cent of the emigrants experienced lower purchasing power abroad, and around the same proportion had to drop seniority when *accepting jobs. Of 130 people in* the survey who have returned to Hong Kong, a third had left spouses abroad, presumably to establish residential status, and 58 per cent said they would emigrate again.

Survey answers provided by 224 companies showed that the *worst hit sector is finance*, property and professional services where the emigration turnover, as a proportion of the workforce, was 1.53 per cent in 1987 and 2.21 per cent in 1988. *The majority of those leaving* were aged 25 to 39 with university or other post-school qualifications, and were in supervisory, managerial or professional grades.

SUCH people are increasingly difficult to replace as the brain-drain gathers pace. Approaching 20 per cent of the companies granted them *special leave of absence in an* attempt to lure them back later. This figure is now likely to be higher and was most prevalent in manufacturing where 30 per cent of the companies granted leave.

Emigrants from about 30 per cent of the 224 companies were *able to organise jobs through* their companies' overseas subsidiaries and branches prior to leaving Hong Kong. The percentage was highest (42 per cent) in transport, communica*tions and professional services.*

During the past few years companies have started "localisation" programmes, aimed at replacing expatriate staff with local ethnic Chinese in readi*ness for 1997. The survey* showed that 31 per cent of the responding companies had such programmes, and that 28 of these had been slowed down in 1988 by the exodus of pass*port-seeking Chinese staff*.

Localisation schemes in nearly 60 per cent of companies in the wholesale, retail, export-import and hotel and restaurant sector had been hit. The figure in finance, property and services was 43 per cent.

But relatively few companies had hired more expatriate staff to fill the gaps – only 7 per cent overall.

The more common solution was to offer higher salaries and speed up internal promotion. This was most difficult to achieve in middle management, especially in manufacturing and it also led to problems of people being promoted beyond their competence and put strains on training.

"There are many associated personnel problems, such as individual managers developing shorter term orientations as they begin to consider the emigration option," says the survey report. "They may have less commitment to the long-term growth and success of the company."

Commons criticism, Page 8

Japan fails to end 1945 hostilities with Soviets

JAPANESE and Soviet negotiators trying to draft a treaty to end formally their World War II hostilities yesterday wound up talks with "absolutely no new points of contact," a Foreign Ministry official said, AP reports from Tokyo.

Although both governments have expressed a desire to improve their chilly relations, the Japanese official said neither was willing to compromise on a territorial dispute over several islands in the southern Kurile chain held by the Soviets since the end of the war in 1945.

"There were absolutely no new points of contact," said the official, who briefed reporters on condition of anonymity. He said the Soviet delegation called Soviet possession of the islands a "post war reality," and urged Japan to "assume a stance that recognises the results of the war."

Japan, however, renewed its claim to what it calls the "northern territories," a group of small islands off Hokkaido, Japan's northernmost main island.

The official said the Soviet delegation proposed the exchange of draft treaties, but that Japan refused because of "reservations regarding the validity of such drafts" while the territorial dispute continues.

Mr Igor Rogachev, Soviet Deputy Foreign Minister, head of the Soviet delegation, was scheduled to continue talks with Mr Hisashi Owada, his Japanese counterpart, on a less formal level today, the official said.

Mr Rogachev, completing a tour of five Asian nations, is scheduled to fly back to Moscow tomorrow.

The apparent failure of the talks comes less than two weeks after Prime Minister Toshiki Kaifu, prompted by rapid changes in Eastern Europe and the recent mood of East-West detente, called for a new era in Soviet-Japanese relations.

Exchanges between the two nations have recently increased.

Mr Eduard Shevardnadze, the Soviet Foreign Minister, is to visit next March, and Mr Mikhail Gorbachev, the Soviet President, is expected to visit Japan in 1991. If he does, he will be the first Soviet president to do so.

Foreign Ministry officials said their expectations for any new developments were low going into the talks.

The Japanese official who briefed reporters said most of the seven hours of talks dealt with the Soviet claim to historical and legal jurisdiction over the islands, which they say have belonged to Russia since the late 18th century and were defined as Soviet territory by the Yalta Conference in 1945 and the San Francisco Peace Treaty of 1951.

Japan claims that the islands have been an integral part of its territory since ancient times.

Tokyo insists a treaty signed in 1855 and a treaty ending the Russo-Japanese War in 1905 give it rightful ownership.

Yesterday's talks were the fourth round of discussions begun in last December. Both sides agreed to hold the next round before Mr Shevardnadze's visit.

Delhi stops flights by Westlands

By K.K. Sharma in New Delhi

THE Indian Government yesterday passed an order grounding 20 Westland-30 helicopters operating in the country and has asked a committee of experts from the Ministry of Defence to investigate the aircraft.

The action came two days after a Westland-30 operating *for the Oil and Natural Gas* Commission (ONGC) crashed into the Ganges near Patna, in Bihar state, killing 13 people on board. The crash came two days after another helicopter crash-landed in Bombay.

A decision by Pawan Hans, a public sector corporation that operates helicopters, to ground the fleet was taken after the Bombay crash – but apparently this was not enforced all over the country until after the Patna crash. Most of the helicopters are based in Bombay.

The review committee has been given wide terms of reference to go into all aspects of serviceability and safety of the Westland helicopters, including any possible deficiency in their design and maintenance.

The helicopters, acquired a few years ago under a British aid package, have now been involved in five accidents and passengers have often expressed fears about flying in them. All the Westland helicopters are operated by Pawan Hans, mainly for use by the ONGC and other public sector concerns like Coal India. They are also used by state governments.

The acquisition of the Westland helicopters was the subject of controversy three years ago. They were considered and rejected by the Indian Ministry of Civil Aviation, but their purchase was later approved by the Cabinet after the then Prime Minister, Mr Rajiv Gandhi, intervened in the matter after talks with Mrs Margaret Thatcher.

Singh to seek Punjab accord

MR V.P. Singh, the Indian Prime Minister, took his oath as a member of the new parliament yesterday and pledged to seek a political solution to the bloody battle for Sikh independence, AP reports from New Delhi. But Sikh militants MPs refused to take oaths of allegiance.

It was not immediately known why the radicals stayed *away from the swearing-in ceremony*, but militant sources in the Sikh holy city of Amritsar said they want the government to rescind anti-terrorism laws and withdraw paramili*tary forces* from Punjab.

CHINESE university students standing to attention during military and political training which was made compulsory for them after the crushing of the pro-democracy demonstrations last June.

The stepping up of "political re-education" at all levels of society was emphasised yesterday with the announcement that military leaders, reversing recent efforts to turn the People's Liberation Army into a modern professional fighting force, have approved a document making political purity the main requirement for servicemen.

The official New China News Agency quoted Commander Liu Huaqing, recently named vice-chairman of the party's Central Military Commission, as saying: "The top priority for the army is to ... obey the party's direction at all times." The hierarchy resolved to "guarantee that the barrels of the guns are in the hands of politically dependable people". Soldiers were previously subjected to heavy indoctrination, but the loyalty of some was known to have been shaken by June's events. Then, many troops first believed they were on manoeuvres, not deployed to suppress a popular movement.

■ Chinese President Yang Shangkun arrived in Egypt yesterday on his first official foreign visit since the Peking massacres, Reuter reports from Cairo.

Islamic courts' powers widened in Indonesia

By John Murray Brown in Jakarta

INDONESIA has adopted new Islamic laws, giving wider powers to religious *shariah* courts, in a move apparently aimed at appeasing growing Islamic sentiment in society.

After more than six months at the committee stage the government-controlled House of Representatives *last* week unanimously passed a code providing all Moslem courts authority over such civil matters as marriage, endowment and inheritance.

The new law also does away with the requirement that *shariah* decisions be confirmed by a secular judiciary. However, Moslems, who make up *some 87 per cent of the population*, can if they choose go before secular courts. Appeal cases will continue to be heard by the Supreme Court.

The so-called Islamic Judicature Bill, which runs to 108 sections, has taken seven years to draft. A spokesman for Golkar, the Government's party, said the new bill was "based on a common understanding to preserve national unity". It had earlier been criticised by nationalist and Christian elements, who fear it could mean the revival of the 1945 Jakarta Charter, the rejected draft constitution which sought to make Islam Indonesia's state religion.

Indonesia with more than 150m Moslems has a humanist if not secular constitution, guaranteeing religious freedom for all five official religions – Islam, Catholicism, Protestantism, Hinduism and Buddhism. Since 1985 the authorities have outlawed sectarian politics forcing all social and political groups to conform to the secular state ideology, *Pancasila*.

The new Islamic law is aimed at undermining popular support for Indonesia's radical minority. In February Moslems militants clashed with security forces leaving more than 30 dead. Those involved are *charged with attempting to* establish an Islamic state, and currently stand trial.

However the new bill's main target is the country's moderate Moslem mainstream, which represents the largest constituency in Indonesian politics.

With an eye on elections in 1992 President Suharto made a high-profile appearance last month at the national congress of the Nadhatul Ulama, the largest and most influential Moslem group. In another development there is even talk the President may perform the *Haj* to Mecca next year, appropriate perhaps for the leader of the world's biggest Moslem country.

Egypt and Syria may end 12-year rift

By Max Rodenbeck in Cairo

IN THE wake of a flurry of exchanges between Cairo and Damascus, common interests appear to be pushing Egypt and Syria together after a 12-year estrangement.

On Sunday, Mr Safwat Sherif, the Egyptian Information Minister, spent three hours in talks with President Assad of Syria, delivering a personal letter from Egypt's President Mubarak. He flew back to Cairo with a return missive from Mr Assad.

Egyptian-Syrian relations have followed a dramatic love-hate course rare even in the annals of inter-Arab politics. Merged into a United Arab *Republic from 1958 to 1961; the* countries combined forces to attack Israel in 1973. But after the late President Anwar Sadat's accommodation with the Israelis, which led to the signing of the Camp David accords in 1978, ties quickly withered.

President Assad, claimed Egypt had betrayed the Arabs for a separate peace and spearheaded Egypt's isolation from the Arab world.

Now, with trouble in its Lebanese backyard, chill winds of indifference blowing from a Moscow and increased muscle-flexing from neighbouring arch-rival, Iraq, Syria is in some need of regional friends.

Enter Egypt. Ignoring its alliance with Iraq, Cairo is said *to have blocked passage* through the Suez Canal earlier this year of Iraqi weapons intended for Lebanese renegade, General Michel Aoun. Cairo has also turned down calls for a Syrian withdrawal from Lebanon and backed the legitimacy of President Hrawi's government.

In return for this lukewarm Egyptian support for its role in Lebanon, Syria has offered tepid enthusiasm for Egypt's efforts to promote Palestinian-Israeli peace. Assad has said that while he does not positively like the Baker plan Egypt and Israel have endorsed, he will not erect obstacles to implementation.

Recent months have seen a rapid warming of Egypt's ties *with another former enemy*, Libya.

Libya has announced that it will not buy foreign products for which Arab substitutes are available. Bilateral trade is already running at a volume of $10m a month, according to Egyptian press sources.

Egypt's relations with most other Arab countries are now excellent. Mr Mubarak's earnestness and *emphasis on* practical steps for unifying Arabs to confront the challenge of Europe in 1992 have earned respect. Clearly, Mr Assad feared that with Mr Mubarak emerging as the nice guy of the Arab world, Syria risked being further marginalised. Sadat must be grinning in his grave. He always said the Arabs *would return to Egypt* on its terms, not the other way round.

Lebanese leader urges peaceful option on Aoun

By Lara Marlowe in West Beirut

MR SELIM al-Hoss, the Lebanese Prime Minister, said yesterday that he still believes Christian General Michel Aoun can be removed from the presidential palace by peaceful means.

In an interview with the Financial Times on the eve of his departure for the Euro-Arab meeting in Paris, he called on France and the Vatican to use their influence over Lebanon's *Maronite* Christians for the reunification of the country. "It *would take* unequivocal pressure from all of our friends in the world (to make Gen Aoun go), but especially certain key countries which his community looks to," he said.

"Iraq may have stopped helping him, but they are not pressuring him to go. More important are the Vatican and France. We are counting on the Arab *League* to help with the Vatican." King Hassan of *Morocco was scheduled to* meet with Pope John Paul yesterday. "The British, Americans and Soviets have been impeccable in their support. There have been loopholes in the French position which Aoun has exploited," Dr al-Hoss said.

"There is a lot we can do short of violence. Now (Gen Aoun) has no contact with a *foreign* ambassador ... *He has* no contact with a Lebanese *ambassador* anywhere in the world.

"We are working on a new passport. What country in the world will accept his passports when they recognise our authority? This is the weapon of legitimacy.

"It is a very powerful weapon. I don't want to hurt the ordinary citizen. We are being *selective* with *our* measures."

Australian rates explained

AUSTRALIA'S central bank said yesterday it had allowed market cash rates to rise in November because it was unwilling to validate an early rally in domestic interest rate markets, AP-DJ reports from Canberra.

While partial economic indicators issued last month "confirmed earlier assessments of some further slowing in domestic demand," the economy had not slowed sufficiently, the central bank said in its December Bulletin publication.

"There is as yet little evidence...of this slowdown in demand being reflected in lower cost pressures and import levels," the central bank said.

The yield on 90-day bank *bills fell to 18.0 per cent* by the end of the month from around 18.40 per cent at the end of October and the yield on July 1999 bonds fell to around 13.1 per cent from around 13.6 per cent at the end of October.

S African court frees policeman

A SOUTH African court yesterday ordered the release of a white former policeman who was suspected of being connected with a death squad that allegedly murdered anti-apartheid activists, Reuter reports from Johannesburg.

The Johannesburg Supreme Court ordered that former detective sergeant Calla Botha be freed from detention after his father applied for his release.

The judge ruled there was not enough evidence linking Botha to any organisation involved in assassinating anti-government activists.

"There has been some information exposed on these organisations but the link between these organisations and the detainee is not strong enough," Judge J.C. Kriegler said in his judgment.

Mr Botha's release is likely to fuel a public outcry for a judicial inquiry into charges by three former policemen that officially sanctioned death squads within the police were responsible for murdering scores of anti-apartheid figures in South Africa and abroad over the past decade.

The Independent Human Rights Commission in Johannesburg estimated that more than 60 anti-apartheid activists have been killed inside South Africa since 1978.

Police have failed to solve any of the murders.

Angolan refugees find morale is slipping after 23 years

Nicholas Woodsworth reports from a camp in Zambia where dashed hopes for a peace settlement have dealt a hard blow

CUSTOMS officials at isolated frontier posts in the African bush are not renowned for their warmth of hospitality. Wary travellers know that the smile that greets them in such places is more often than not the rapacious smile of a waiting predator, and feel fortunate to emerge from these encounters with their possessions intact.

So quiet has life become at the Zambian border post of Chivuma on a remote stretch of the Angolan frontier, however, that customs personnel are genuinely glad to see anyone at all; they ask only for cigarettes and a bit of company.

"Ever since Unita guerrillas blew up the government customs post on the other side and took over the territory there, things have been very dull", says one official who spends Chivuma's hot, quiet afternoons sleeping in the shade of a mango tree. "In the last year and a half we haven't had a single crossing. There is nothing for us to do here; we just sit and wait for the war to end."

Eighteen months of sitting and waiting for the Angolan war to end may seem a long time, but the customs men at Chivuma can count themselves lucky. At the Mayukuyukua *Settlement Camp deep in the* bush of the Zambian interior, many of 2,500 Angolan refugees have been waiting for 23 years.

Mayukuyukua is the oldest refugee camp in Zambia, a country which over the decades has accommodated refugees and political exiles from Angola, Mozambique, Namibia, and South Africa. Set up by the Zambian Christian Refugee Service (ZCRS) as a "temporary" camp in 1966, it was built to house Angolans fleeing combat between Portuguese colonial troops and guerrillas of the rival MPLA and Unita independence movements.

Although the MPLA came to power a decade later, its war – and the wait for Angolan refugees in a growing number of camps in Zambia – was far from over. Fourteen years after independence and continued fighting with forces of Jonas Savimbi's Unita, the Angolan Government's hopes for national reconciliation are still not realised.

"Many of us were very excited when we heard that (Angolan president) dos Santos and Savimbi had finally shaken hands at Gabadolite in June", says Mr Abraham Kasaza, the camp chairman, who was eight years old when his parents led him over the Zambian border in 1968. "Now that we know that they are still fighting, we are bitter and disappointed."

But by no means do all camp residents dream of returning to Angola. With the passage of years, Mayukuyukua has by gradual stages transformed itself from a temporary camp of expectant Angolans into a permanent settlement of stateless individuals with less and less of a sense of identity.

Even for many older residents with strong memories of former lives, Angola has ceased to be home. Mr Samzuza Kangai, one of the settlement's nine headmen, is now well into his 70s. For years he lived in the same hut, now crumbling, that he built when he arrived; he refused to erect a new one in the belief he would return to Angola at any time.

But today he is busy on a brand-new mud and thatch structure he began to build at the collapse of last June's peace agreement. "Gabadolite was the last promise I shall believe in", he says. "My wife, brothers, and sisters have all died here. So, too, will I."

For the men and women who came to the camp as children, Angola is just a hazy recollection. Speaking for most of his contemporaries, Mr Kasaza says, "We feel more like Zambians. We'd like to visit Angola just to see it, but we know far more about life here."

For the children of refugees – more than 75 per cent of the camp's current population was born here – the notion of Angola means very little at all. In the camp's government-run primary schools, children are taught a Zambian curriculum in Lozi, the local tribal language. Few show any desire to go to what is for them a foreign country. What they all would like to do, though, is escape the narrow confines of a life spent in a refugee settlement.

Camp children study harder and obtain better results than their Zambian counterparts; they regard education as the one passport out. But whatever their grades, their chances of moving up in life are slim.

In theory a refugee can leave the camp if he been guaranteed employment outside; in practice, in a country of 50 per cent urban unemployment, jobs are handed out first to Zambians. Mr Samuel Kambundu is one of two Angolans to have grown up in Mayukuyukua and earned a university degree. Now 31, he is growing despondent about a career in business administration.

"All of us have the option of returning to Angola at any time. Some have, but the letters back are not encouraging; the settlement camps returning refugees end up in are similar to this one, except there's less food. My chances for a job remain better here."

For those who have decided to stay, life remains a struggle. When, after having provided emergency aid to the camp for more more than five years the ZCRS realised the refugees were in for a long stay, they withdrew their support. The Zambian Government allotted each family 2ha of land for farming. After 16 years of intensive cultivation, soil nutrients are exhausted and the plots yield less each year.

Although a number of aid organisations, including the Zambian YMCA, the Catholic Secretariat, and the Italian non-governmental organisation Cospe are active in the camp with technical training and social programmes, the refugees are expected to be economically self-supporting.

Surplus maize is sold to a state-run co-operative, and timber and forest products are sold in the nearest town almost two hour's drive away. As the camp possesses no vehicles, much of the small profits from both activities are eaten up in transport costs.

The main problem, though, remains one of morale. Heavy drinking, brawling and adultery have for years been part of the pattern of settlement life, and its health authority cites long-term psychiatric difficulties among his leading concerns.

Current, renewed negotiations may lead to a final patching-up of differences between Unita and the MPLA. But no amount of peace-making can finally patch up the lives of these few victims of one of Africa's longest wars.

Trade in services meetings leave many loose ends

By William Dullforce in Geneva

MEMBER countries of the General Agreement on Tariffs and Trade (Gatt) ended a year of talks on the liberalisation of the $560bn (£350m)-worth of world trade in services yesterday with a 15-page draft text copiously laced with some 160 square brackets marking points on which they still differ.

Mr Felipe Jaramillo, chairman of the services negotiating group in Gatt's Uruguay Round, said he was not overconcerned.

The brackets did not indicate a high degree of disagreement, although they did illustrate the enormous load of work remaining.

At their mid-term appraisal of the four-year Round last December, trade ministers instructed the group to "assemble" by the end of 1989 "the necessary elements" to negotiate a framework agreement on services by the end of the Round, scheduled for next December. The services group will be the first of the 15 negotiating groups to resume work early in the New Year.

A fundamental stumbling block remains the poorer countries' perception that development of their immature services could be thwarted by high-powered competition from the big trading nations.

A basic difference persists over foreign services producers' rights of establishment.

India yesterday listed Third World demands for guarantees on the transfer of technology, the right to provide incentives for domestic services and preferential market access for developing countries' exports of services.

The US has offered only "appropriate provisions" to assure an efficient and competitive services environment in developing countries. The European Community has used more flexible language which nevertheless falls far short of satisfying Third World aspirations.

Progress has been made in defining the principles to be embodied in a future agreement and its scope. It is now almost certain that all internationally traded services would be covered, although special arrangements may have to be negotiated for financial services, transport and telecommunications.

Gatt's most-favoured-nation (MFN) principle, under which a benefit granted to one country is automatically extended to all others, would be incorporated into the agreement, although it is accepted that MFN cannot apply in air transport.

Publication of relevant laws and administrative guidelines would be obligatory. Concessions on market access would be "bound" – that is, governments would not remove benefits once granted.

Gulf leaders aim to speed drive for common market

By Victor Mallet, Middle East Correspondent

GULF leaders meeting for their annual summit in Oman this week are focusing on the need to move faster towards a regional common market, to increase their bargaining power in trade talks with the European Community.

The six-nation Gulf Co-operation Council, comprising Saudi Arabia, Kuwait, United Arab Emirates, Oman, Bahrain and Qatar, has been talking with the EC over a proposed free trade agreement. In return for easing EC tariffs on GCC non-oil exports, particularly petrochemicals, the GCC would phase out duties on its imports from the EC.

Discussions have been complicated by the vested industrial interests on both sides, and the lack of completely unified GCC customs duties within the GCC or with regard to the outside world.

Although the aim is to abolish tariffs inside the GCC, exemptions are still allowed; Oman has been allowed to protect its domestic industry with special tariffs on a number of commodities, including cement. Between the GCC and the outside world, minimum and maximum tariffs apply.

"We want the summit to know the difficulties we are having," Dr Abdullah al-Qowais, the GCC's Assistant Secretary General for Economic Affairs, said recently. "We want moral support from the summit for unified tariffs; we want its guidance regarding the timing of unification."

When the GCC was established in 1981, its members hoped for a common market by 1990. That goal is unattainable, but this week's summit is expected to examine some steps to economic integration. They include easing restrictions on property ownership for GCC nationals, increasing the list of professional qualifications transferable within the GCC area, and streamlining GCC bureaucracy.

Gulf leaders will also try to consolidate the peace between Iran and Iraq. Some members, notably the UAE and Oman, have kept up significant trading links with Iran. Even those states which supported Iraq during the Gulf war have begun to fear Baghdad's resurgent military power almost as much as Iran's Islamic fundamentalism.

"We in this region are going through a very crucial stage on the road to security, peace and stability," said Mr Yousuf bin Alawi bin Abdullah, Oman's Minister of State for Foreign Affairs.

Austrian entrepreneur in Czech farm joint venture

By Judy Dempsey in Budapest

A FORMER chairman of one of Austria's largest banks whose philosophy, even in the early 1980s, was to keep the economic door open to Eastern Europe, has set up a novel joint venture with one of Czechoslovakia's most successful and innovative co-operative farms.

Mr Hannes Androsch, former chairman of Creditanstalt-Bankverein, but now director of Androsch International Consulting, and Mr Frantisek Chuba, one of the brains behind Slusovice, a large farm in Moravia, have joined forces to expand the farm's export activities.

The choice of Slusovice was influenced by the farm's radical shift in direction over the past decade, in which it moved away from producing agricultural goods and breeding livestock, to diversifying into electronics and computer technology.

Backed by Mr Lubomir Strougal, the then Prime Minister of Czechoslovakia, the farm became a model of efficiency and profitability.

Under the terms of the venture, backed by a start-up capital of Sch4m (£205,000), whereby Slusovice will hold the 51 per cent majority share, Androsch will find Western partners and markets for its Moravian clients, as well as advise it on potential hard-currency earning projects.

But unlike other joint venture agreements, Androsch is keen to move away from short-term financing to longer term deals, preferring to follow through projects from conception to completion.

"We want to engineer projects. Instead of going to the banks to seek finance for them in the early stages, we want to identify projects which will generate hard currency for those companies themselves, and then we will seek the necessary financing," said Mr Thomas Jozseffi of Androsch International.

Many joint ventures in the past had failed directly to support perestroika or positively affect the East European consumer, he added.

● Allianz, Europe's largest insurer, has bought 49 per cent of the Hungarian state-owned Hungaria Biztosito, Reuter reports from Budapest. No financial details were given.

Hungaria has about 44 per cent of Hungary's insurance market. Allianz said it was the first Western insurance company to take a major stake in a Hungarian insurance firm.

● Metallgesellschaft and Korf of West Germany have agreed with Okne, a Hungarian steel company, to form a joint venture in Hungary, Metallgesellschaft said, AP-DJ reports from Munich.

The joint venture, Ozder Stahl AG, will take over the remaining steel production lines of Okne and operate them after drastic modernisation, the German metals group said. Okne's other steel facilities are set for shutdown.

The two German partners will hold 50 per cent of the joint venture, the rest to be owned by Okne.

● AEG of West Germany has agreed in principle to form a joint venture with VEB Lokomotivbau Elektrotechnische Werke Hans Beimler (LEW), an East German engineering company, AP-DJ reports. The new jointly owned unit is to develop, produce and market train systems.

The West German electronics and engineering group, a unit of Daimler-Benz, said it is assuming legal preconditions for such a venture will be created in East Germany soon.

ECGD set for role in growing foreign markets

Peter Montagnon looks at the thinking behind the Government's export-credit reform announcement

FOR a low-margin business such as short-term credit insurance, high and rising turnover is the key to growing profitability. It is in this light that the thinking behind yesterday's government announcement of reforms at the Export Credits Guarantee Department (ECGD) becomes clear.

According to Mr Colin Foxall, ECGD's director of short term credit insurance, the total potential market for his services in the UK is represented by export deals worth not much more than £30bn a year.

This is less than half of the total of UK non-oil exports, but a large amount of overall export sales are intra-company transactions, which do not need insuring against payment default by the buyer, or sales by companies with their own in-house self-insurance.

ECGD and its main domestic competitor, Trade Indemnity, already insure about £15bn in short-term exports a year.

The narrowness of the remaining market means dynamic growth can only be achieved if ECGD is able to offer its services in foreign markets too.

The important point about yesterday's reform announcement from Mr Nicholas Ridley, Secretary of State for Trade and Industry, is that it paves the way for just such an expansion overseas.

Once it is established as a separate corporation, initially fully-owned by the Government, ECGD's short-term insurance division, hitherto able only to support UK exports, will be able to expand into a growing European market and compete head-on with the likes of NCM, the Dutch agency which is already privately-owned and shows every sign of wanting to encroach on ECGD's own home patch.

'Dynamic growth can only be achieved if the ECGD is able to offer its services in foreign markets too'

Moreover, Mr Foxall and his colleagues are convinced that in the rapid underwriting system they have built up over the past three years, they have a product that should be highly competitive in the European context.

The system relies on a quick computerised check on selected risk indicators – such as buyer's payment record, seller's claims activity, sectoral outlook and payment terms – to weed out the riskiest credit applications.

The safer ones get quick approval, which makes using ECGD attractive to exporters for whom speed of delivery is increasingly vital in winning orders.

About 80 per cent of all credit insurance applications are now processed inside 24 hours, compared with just 18 per cent in 1986.

ECGD's competitors acknowledge that this novel system, which breaks with the past laborious practice of analysing historic information in buyer balance sheets, has given it a cutting edge.

Internal ECGD analysis suggests that underwriting performance has been at least as good as on the old method; its buyer-loss ratio has actually declined; and there has been an increased take-up of insurance offers once credit applications have been processed.

According to Mr Richard Duggan, Managing Director of Trade Indemnity, ECGD's main competitor, competition in the European market means that the number of credit agencies could shrink from 24 to less than 10 eventually.

European companies have responded to this threat in two ways, he said in a recent speech in Brussels.

There has been a tendency across Europe for governments to distance themselves from short-term commercial risk insurance – and the distinction between domestic and export credit insurance has become increasingly blurred.

With yesterday's announcement, ECGD has been put in a position to swim with this tide, instead of against it.

As a result of the reform it will also acquire a defence against any Brussels-inspired efforts to tighten up on the activities of state-owned credit insurers under the stricter competition policy rules of the 1992 single market.

Yet a long administrative slog now lies ahead before its insurance division is ready to emerge as a separate company in its own right.

It will have to develop an accounting system which fits in with the outside world. Given that it is to operate from the outset as if it were a private company, it must obtain a Department of Trade and Industry licence which will involve meeting required financial ratios, and arrange reinsurance and re-examine its labour requirements.

Yesterday's reform has been vigorously opposed by trade union officials who fear it will lead to further job cuts at ECGD's short-term division in Cardiff. Already staffing has been cut by 250 to about 700 over the past two years.

More cuts, perhaps of some 150, are expected, though ECGD management officials say these would have been on the cards with or without yesterday's announcement and will be achieved by natural wastage rather than redundancy.

'Competitors of the ECGD acknowledge that this novel system has allowed it to win a cutting edge'

Yesterday's statement gave no indication about whether the new company would take over a stock of existing business (including claims), or whether it would start from scratch on the basis of a government capital injection which would then be recovered on privatisation, though the latter is understood to be the preferred approach.

However, it is understood that the privatised part of ECGD would not have to take over some £600m in unrecovered short-term claims currently outstanding in Nigeria.

Finally, it also has to develop a business plan, which will detail its strategy for attacking the European market.

Though this has been the main objective behind the reform proposals, there has been little precise thinking within the organisation as to how to tackle the new market.

Meanwhile, the only potential buyer of the short-term insurance business to have publicly expressed any interest to date is Trade Indemnity, which dominates the domestic credit insurance market in the UK just as ECGD dominates the export credit market.

The two companies would thus make a good fit, Trade Indemnity believes, as they could together offer "one-stop shopping" for credit insurance.

ECGD officials say, however, that there are other interested potential buyers in the financial and insurance world.

Not least because of the recent problems surrounding the Rover privatisation, the Government is unlikely to want to find itself negotiating with any preferred buyer.

Unlike Rover, ECGD has no substantial assets in the form of land holdings, but because of its Rover experience, the Government is expected to take a careful look at the valuation of ECGD before accepting a privatisation price.

Electricity chief resigns over curb on nuclear power

By Maurice Samuelson

LORD MARSHALL is to be paid £250,000 ($400,000) compensation for giving up his job as chairman of the Central Electricity Generating Board in protest at the Government's curbs on expansion of the nuclear power programme.

Mr John Wakeham, Energy Secretary, disclosed the sum yesterday when he announced that Lord Marshall, 57, had resigned as chairman of the CEGB and chairman designate of National Power "because of recent developments on nuclear power".

The pay-off, to be made by the CEGB, was criticised as excessive by Labour MPs yesterday. During parliamentary question time, Mr Alan Williams said Lord Marshall's "golden handshake" would create "a sense of moral outrage throughout the country". His advice on nuclear power "and the dishonest costing of nuclear electricity" had cost "billions of pounds".

Lord Marshall's salary was £110,000 a year and his contract would have lasted another 2½ years had it not been for the Board's forthcoming breakup and privatisation.

As chairman-designate of National Power, the CEGB's biggest successor company, he could have expected an even higher salary once it had entered the private sector.

However, the Government had made it clear that there was no future for him in the reorganised electricity industry. For example, he was not invited to stay in charge of the nuclear sector after the decision to keep it in public ownership.

His resignation from the CEGB had been expected since November 9 when the Government decided to keep all the nuclear power stations in the public sector and to abandon plans for the construction of three pressurised water reactors, while completing the first PWR, currently under construction at Sizewell, Suffolk in the East of England.

Lord Marhshall had expected part of his job as chairman of National Power would be to carry out the PWR programme – its cancellation, widely interpreted as spelling the end of Britain's nuclear power industry, made his departure inevitable.

The flywheel of the British economy begins to slow

Simon Holberton looks at consumer spending in the Christmas period and at new year predictions

CHRISTMAS 1989 is unlikely to be a very merry affair for Britain's leading retailers on the nation's high streets. The great consumer boom of the 1980s has come to an end.

Under the pressure of 15 per cent bank base rates consumer spending, the flywheel of the British economy, has begun to slow, bringing a five year period of fastest ever growth in consumption to an end.

November marked the fifth successive month of poor sales, Mr Hugh Clark, assistant director general of the Retail Consortium, said yesterday. "Trading has not turned markedly better ahead of Christmas," he said, adding: "In the new year I've got no reason to expect trading to get much better; retailers are facing a tough situation."

Just how much spending slows will decide whether a parlous Christmas is a foretaste of a grim 1990 not only for the retail sector but for the economy as a whole.

Knowing this is of vital importance not only for high street shops, whose livelihood depends on the consumer, but for manufacturers who make the goods people buy. It is also important for the policymakers at the Treasury and the Bank of England who have to advise Mr John Major, the Chancellor of the Exchequer, when he can relax his tight grip on the economy and bring interest rates down.

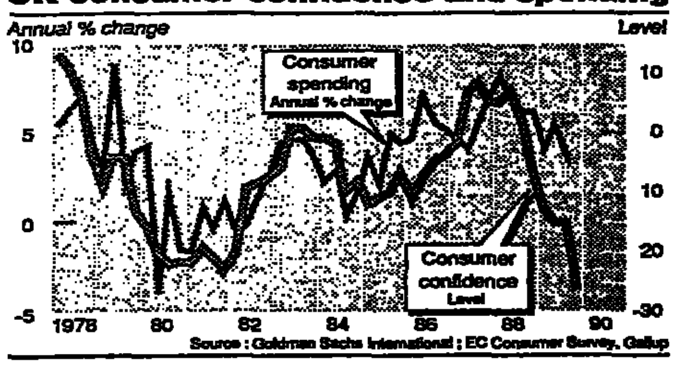
As Mr John Shepperd, UK economist at Warburg Securities, points out: "Getting the consumer right is the key to the economy next year. If the consumer retrenches and stops spending then you will have an economy that slows regardless of whatever else happens."

Last week's retail sales figures showed that the volume of sales in the three months to November were just 0.25 per cent higher than in the preceding three months - the same comparison this time last year showed sales 1.5 per cent higher - while recent survey findings paint a gloomy picture for the 1990 outlook.

Retail sales figures are an important indicator because they account for about 40 per cent of total expenditure by consumers. Consumer spending in turn accounts for about 65 per cent of gross domestic product - the biggest single component of demand in the economy.

Each year consumers spend nearly 3¼ times as much as companies and government invest; their expenditure is also nearly 3¼ times as big as central and local Government spending put together. Changes in the behaviour of the consumer can mean the difference between growth and recession.

UK consumer confidence and spending



Source: Goldman Sachs International; EC Consumer Survey, Gallup

Recent surveys indicate that the consumer may be planning to curb expenditure quite dramatically. The trend has been captured in the retail sales figures but it is far more stark in the survey of consumer confidence conducted monthly by Gallop, the public opinion pollster, and by the Financial Times/Confederation of British Industry (the employers' organisation) distributive trades survey, also monthly.

Consumer confidence, as measured by Gallup, stood at its second lowest level since 1978 last month. Its lowest level was in October when interest rates were raised to 15 per cent. Retailers' responses to the FT/CBI survey indicate they have been sensitive to the changed outlook of the consumer. In November retailers said they expected to place their lowest ever amount of orders with suppliers since the survey began in 1983.

The Gallup survey is regarded by economists at Goldman Sachs International, the London arm of the US securities house, as a good advance indicator of trends in consumer spending, a view held at the Treasury as well. If the survey's past relationship with consumer spending holds true for the current period then growth in spending may not only cease but actually fall.

"If consumer spending growth goes negative then the rest of the economy has got to do a lot to keep growth positive overall," says Mr David Walton, an economist at Goldman. On past behaviour, companies may cut investment spending and reduce their holdings of stocks and, if that happens, then you'll have a savage downturn in activity."

There are a lot of "ifs" here and many of them depend on not only how much the consumer spends but how much he saves. Savings as a percentage of income have fallen dramatically in the UK during the 1980s. From 1984 until 1988 the savings ratio fell from 10.6 per cent to 4.4 per cent, despite large rises in income.

Under the current high interest rate regime, savings have become more attractive. Although saving is seen as a desirable attribute, a move by the community to save more at the current stage in the economic cycle could further slow activity.

A collective attempt by the community to increase their savings would result in reduced economic activity and would ultimately produce less savings. But will the consumer embark on this course of action?

"Real income growth will remain firm and export growth will be strong. We don't think consumer confidence is broken," says Mr Shepperd of Warburg. "We will see lower spending on interest rate sensitive goods such as durables, but spending will remain buoyant on more basic items like food and clothing."

Mr Walton is less confident the consumer's spirits will stay high enough to keep spending growing. While real incomes will keep growing next year the threat of unemployment may prompt people to save, thereby raising the risk of recession, he says.

For him, this is where the interest rate decisions Mr Major takes are crucial. Over the past decade there has been a good inverse correlation between the directing in which both interest rates and consumer confidence move.

Confidence grew in 1981-82 and during 1986 but with the Government's concern about inflation and the need for a firm exchange rate, Mr Major may be reluctant to cut interest rates until the middle of next year.

The consumer has been pilloried for not saving enough and spending too much, for, in short, getting Britain into an overheated state. But if the UK wants to avoid the opposite problem, recession, it seems as if the consumer should take heart from Saint Augustine: "give me chastity and continency, but not yet."

Construction output to fall 3 per cent

By Peter Marsh

THE TOTAL VALUE of Britain's construction output is likely to fall by 3 per cent next year, according to the latest in a stream of gloomy forecasts for the sector.

The study, from the National Economic Development Council, says that steady increases in output by the industry over the past few years have already peaked.

The decline in revenues for the sector next year is likely to be followed by a modest uplift in 1991, wholly due to a modest rate of growth in repair and maintenance work.

According to the report, total construction will be worth £33.3bn next year, compared with £34.5bn in 1989 and £33.2bn last year, all figures being expressed in 1985 prices.

The report indicates further difficulties ahead for Britain's hard-pressed housing sector. Some 160,000 private houses will be started this year, 57,000 fewer than in 1988. In 1990 the number is predicted as falling still lower, to 135,000, before recovering in 1991 to 160,000.

According to the forecast, the high cost of mortgages is not likely to become noticeably lower until 1991 at the earliest. That will continue to inhibit first-time buyers from plunging into the housing market, adding to the current slowdown in the chain of house sales and contributing to the laggardly state of the overall housing market.

Commercial construction is likely to fare much better than housing in terms of output, the study suggests. The recent high increases in output in this area are, however, unlikely to be kept up over the next few years and the report says they will hover around "a high plateau" over the next three years with industry inflation running at higher levels than average.

Construction Forecasts 1989-91, Joint Forecasting Committee, National Economic Development Office, Millbank Tower, Millbank, London SW1P 4QX. £30.

Londonderry wins £65m investment

By Our Belfast Correspondent

LONDONDERRY, Northern Ireland's second city, received its biggest investment boost this century yesterday with the announcement of a £65m package creating 1,400 jobs.

O'Connell Development, the Massachusetts-based US company specialising in prestigious water front developments, is undertaking the project which will double at a stroke the city's retailing capacity.

US investment will be between £25m and £30m and work in the complex will start towards the end of 1990 and take two years to complete. The package includes a shopping centre, offices and a multi-storey car park.

Marks & Spencer will be the main tenant of the shopping centre, which will have 260,000 square feet of retailing space and 60,000 square fxewet of office space. The estimated development costs are £32m in retailing and car parking, £4.6m for offices and £28m in fitting out costs by tenants.

The American investment arises from the Derry-Boston initiative launched two years ago with the help of local MP Mr John Hume and US civic representatives.

The objective is to strengthen links between the two cities and help tackle chronic unemployment. Announcing the development Mr Richard Needham, the province's Economy Minister, said: "Today there is a new mood of confidence in Londonderry. Things are happening. I share that mood of confidence and I am sure that this fine city is poised to march into the 21st century in better shape than at any time in its long history."

As well as their Derry operation M&S is opening a further two stores in the province at Ballymena, County Antrim, and Bangor, County Down. Bangor got a further boost with a tourism grant of £3.25m from the European Regional Development Fund to pay for work to its sea front and Northern Ireland Electricity is getting £3m to help upgrade the system for industrial customers.

Isle of Man minister likely to be sacked

By Ian Hamilton Fazey

A CABINET reshuffle on the Isle of Man to be announced today is expected to centre on the sacking of Mr David Cannan, the Finance Minister who has presided over tighter regulation of the offshore centre and the explosive growth of its finance sector.

Mr Cannan, who has made many enemies in his campaign to improve the island's image, was personally responsible for bringing in expert help in 1986-87 from the Metropolitan Police to investigate the collapse of the Savings and Investment Bank four years previously with £42m ($67m) of depositors' funds.

The investigation led to charges against the bank's principals and their trial will begin next year.

The collapse forced the island to tighten up its licensing, regulation and supervisory machinery. It did this so effectively that it became the first offshore centre to win designated status under the UK's Financial Services Act last year, indicating a comparable, if not superior level of investor protection.

The new laws encouraged large numbers of financial services companies to set up operations and take advantage of the Isle of Man's 20 per cent corporation tax and tax-free operation for some insurance business.

Mr Donald Gelling, a farmer who is the present Agriculture Minister, is expected to be named as his successor.

COMPANY NOTICES

CANADIAN NORTH ATLANTIC WESTBOUND FREIGHT CONFERENCE NOTICE TO SHIPPERS AND *CONSIGNEES FREIGHT* RATES TO CANADA

The Member Lines of the above Conference operating services from ports in the United Kingdom, Northern Ireland and the Republic of Ireland to Canadian Maritime, St. Lawrence River and Great Lakes Ports have to advise Shippers and Consignees that after consultation with the British Shipper's Council Ocean Freight Rate Levels will be increased as follows effective 1st March 1990

Section 1

Service 1 Rates

Per 20ft Container
Rates to be increased by Can. Dollars 65.00

Per 40ft Container
Rates to be increased by Can. Dollars 100.00

Service 2 Rates

Existing differential over Service 1 Rates to be maintained

Service 3 Rates

To be increased by 5 Per cent

Tank Container Rates

To be increased by Can. Dollars 100.00 Per Tank Container

Temperature Controlled container Rates

To be increased by Can. Dollars 100.00 Per Temperature Controlled container

Section 2 and 3 Rates

Increases as detailed above to apply
Atlantic Container Line B.V.
Canada Maritime Limited
Cast (1983) Limited
Hapag-Lloyd A.G.
Orient Overseas container Line (UK) Limited
Canadian Atlantic Freight Secretariat Limited
Secretaries
Stoner House,
Kilmead,
Crawley,
West Sussex,
RH10 2BG.
December 1989

Unquote

UK NEWS

Court case opens into Zeebrugge disaster

COMMITTAL proceedings began yesterday at a London magistrates court against P&O European Ferries - formerly Townsend Thoresen - which is charged with corporate manslaughter as a result of the deaths of 193 people in the Zeebrugge ferry disaster.

The case is the first prosecution in England for corporate manslaughter and follows a 15-month police investigation into the capsize of the Herald of Free Enterprise in March 1987. Seven former company executives and seamen who face manslaughter charges also appeared for committal.

The magistrate will decide if the prosecution has presented enough evidence to justify the case going on for trial in a higher court in front of a jury.

If found guilty, the company would be liable to an unlimited fine, while the individuals could face maximum sentences of life imprisonment.

The summonses against the company and the seven defendants accuse them of the manslaughter of four of the people who died.

Government prepares package to underpin confidence in the colony

Hong Kong plan for immigrants

By Michael Cassell, Political Correspondent

MRS Margaret Thatcher, the Prime Minister, is today expected to meet senior ministers to endorse a package of proposals - including a relaxation of immigration rules likely to cover more than 150,000 Hong Kong citizens - intended to underpin confidence in the colony.

With the Government indicating that it will press on with its highly controversial plans, aimed at encouraging essential businessmen and professionals to stay in Hong Kong beyond 1997, the details should be announced tomorrow to the House of Commons by Mr Douglas Hurd, the Foreign Secretary.

As ministers prepared to ride out the threatened backbench rebellion among some Tory MPs over any relaxation in immigration procedures, the government yesterday came under renewed attack over the enforced repatriation of Vietnamese boat people from the colony.

In a letter to Mr Hurd, Dr Robert Runcie, the Archbishop of Canterbury, called on the Government to halt the enforced return of boat people in the short term, although he acknowledged that would only happen if other countries helped in seeking a solution to Hong Kong's predicament.

The letter, the full text of which has not been released, is said to call on Britain to accept a substantial number of boat people before next month's planned meeting in Geneva of the UN steering group on refugees. Dr Runcie says that failure to act would represent a "shameful indictment" of the international community and particularly of Britain.

Downing Street refused to comment on the detail of the letter, choosing instead to emphasise that, in repatriating some boat people, the British Government was following to the letter the international agreement of first asylum signed in Geneva and adopted by nations around the world.

The repatriation programme, which has been temporarily suspended since the first Vietnamese were returned home from Hong Kong last week, will be at the centre of what promises to be a highly-charged Parliamentary debate today. It appears unlikely, however, that Mr Hurd will use the occasion to announce a departure from the government's existing stand on the issue.

Despite the possibility that a sizable core of Tory MPs might, depending on the numbers involved, vote against the proposed package of rights to be extended to some Hong Kong residents, the indications are that the government intends to adhere largely to proposals drawn up last week, before the prospect of a rebellion had emerged.

Mrs Thatcher yesterday held a regular meeting with party whips at Downing Street, at which the prospect of a Tory rebellion was raised.

It was apparently accepted that some MPs would continue to reject any loosening in the immigration laws but that other doubters could be persuaded to accept the plan as the best way of anchoring key workers in the colony.

Ministers now appear to have accepted that new legislation will be necessary and that it will need to be brought forward in the current parliamentary session. Those included in the plan are expected to be granted full British passports, which would be made available before the next election.

Satellite TV venture seeks early £150m

By Raymond Snoddy

THE major shareholders in British Satellite Broadcasting, the satellite television venture, are being asked to put up a further £150m ($240m) to bring forward part of a planned final financing round of more than £400m.

The aim is to demonstrate as quickly as possible that the five-channel satellite service is a solid, properly funded business so that receiver manufacturers will produce enough equipment in time for a launch in March or early April.

A major new injection of finance now would also help end uncertainly over BSB's largest shareholder, Mr Alan Bond's troubled Bond Corporation, which is trying to sell its stake in the satellite venture.

Bond Corporation contributed 35.8 per cent of the £423.55m so far committed to BSB whose other major shareholders include Granada, the television and leisure group, Pearson, the publishing and industrial group that owns the Financial Times, Reed International, the publishing and information group and Chargeurs, the French transportation company.

Enhanced confidence in the financial stability of BSB, it is being argued, would help Mr Bond sell his BSB stake at something approaching its face value. If Mr Bond was forced to sell at a bargain basement price it could have a disruptive impact on the other shareholders who have had to pay the full amount and make it difficult to bring in other new shareholders.

The £423.55m was designed to buy two satellites and such things as film rights and take the venture to launch but it has always been envisaged that further large sums would be needed before there was any chance of breaking even.

The fact that existing shareholders are being asked for significant sums of money now also amounts to a tacit acceptance that it will be difficult to raise large sums of money from new investors until the satellite station is fully up and running.

There is, however, growing confidence at BSB which will be taking on Mr Rupert Murdoch's four channel satellite service Sky Television which launched in February.

In the past few days BSB has formally "signed off" prototype microchips needed for the receiver equipment. As a result mass production of the chips is expected to begin early in the new year. Delays with the essential chips needed to scramble and descramble the satellite signal forced BSB to postpone a scheduled September launch.

Although BSB executives now believe a programme service can be launched in March or early April it is less clear how great a volume of consumer equipment will be in the shops by then.

BSB will be launching more than a year after Mr Rupert Murdoch's four channel Sky Television began broadcasting. Latest estimates suggest that around 400,000 homes are receiving satellite television direct through individual dishes and when cable networks in the UK and Ireland are included around 1m homes are able to watch at least some of the Sky channels.

TransManche wins $928m contract for cross channel trains

By Kevin Brown, Transport Correspondent

TRANSMANCHE SUPER Train Group, a consortium of French, British and Belgian railway companies, was yesterday awarded a £580m ($928m) contract to build the first 30 trains for Channel tunnel passenger services.

TransManche was the only bidder for the contract, awarded jointly by British Rail, SNCF French railways, and SNCB Belgian railways at fixed 1988 prices, adjustable for inflation.

The consortium was formed following political pressure for an equitable share of manufacturing work between the three countries. It is dominated by GEC Alsthom, the Anglo/French engineering group, whose member companies built SNCF's 300kph Train à Grande Vitesse, the world's fastest train, and BR's 225kph InterCity Electra, the fastest on conventional tracks.

The other members of the consortium are Brush Electrical Machines of the UK; BN and ACEC of Belgium; and ANF Industrie and De Dietrich of France. The trains have also been designed by an international consortium led by Roger Tallon-Adsa of France, supported by Jones Garrard of the UK and Cabinet INOV of Belgium.

The trains will enter service when the tunnel opens in 1993, initially running at 160 kph in the UK and through the tunnel, and then at 200 kph to Brussels, and 300 kph to Paris. Journey times from London will be 2 hours and 40 minutes to Brussels and three hours to Paris – around half the existing journey time by rail and jetfoil or hovercraft.

BR will own and operate 14 of the trains, SNCF 13 and SNCB three. However, BR plans to hand over its international services to a joint venture with two private sector companies in 1998, following the completion of a proposed high-speed line from London to the tunnel. Trains could then run at up to 225kph on the UK side of the Channel.

Eurotunnel says two reports confirm its tunnel building costs

By Kevin Brown and William Dawkins

EUROTUNNEL, the Anglo/French Channel tunnel consortium, confirmed yesterday that a report from two independent consulting firms supports its assessment of the cost of completing the project.

The report, by W.S. Atkins of the UK and Setec of France, was ordered jointly by Eurotunnel and Transanche Link (TML), the Anglo/French consortium contracted to build the tunnel, to end a dispute over rising costs.

The dispute started in October, when Eurotunnel said the cost of completing the tunnel was likely to rise from £4.87bn ($7.8bn) to about £7bn. TML, a consortium of five British and five French construction companies, put the cost at between £7bn and £7.5bn.

The two groups are also in dispute over who should bear the increased costs. The Atkins/Setec report is important because Eurotunnel must conclude a refinancing agreement by the end of the year with the 200 international banks which provided most of its initial £5bn capital.

The report, which is understood to be very detailed, is being studied in advance of a meeting between Eurotunnel and its bankers on Thursday.

Eurotunnel said "a first reading of the report" showed that it supported in general terms the figures put forward by the group. The group indicated that it expected agreement on funding to be delayed.

● The biggest of four contracts for the eastward extension of London's Docklands Light Railway (DLR) was awarded yesterday to a joint venture between Mowlem and Taylor Woodrow, the UK construction groups, Kevin Brown adds.

The contract, worth £115m, is for the construction of five miles of track in east London, 11 stations and workshops.

The extension is regarded as a vital catalyst for the development of the Royal Docks, where major property projects have been proposed.

In Brief

Falklands fishing talks open in Paris

TWO DAYS of talks on the problems of fishing around the Falkland Islands opened in Paris yesterday between delegations from Britain and Argentina, writes Ian Davidson.

The UK hopes the talks will lead to co-operation between the two governments on the conservation of fish stocks around the islands.

The talks are a direct consequence of the breakthrough high-level meeting to normalise relations in Madrid in October.

Security experts from the two governments met in Montevideo, Uruguay, earlier this month and agreed to examine military confidence-building measures around the islands.

Debt payments on track

The UK Government borrowed an estimated £100m last month but appears to be on track to pay back £12.5bn of public debt in the current financial year. Official figures show that in the first eight months of 1989-90 the Government paid back £3.1bn of official debt, half the level repaid this time last year.

Excluding privatisation receipts, the Government has repaid £100m so far this year, compared with £1.2bn in the first eight months of 1988-89.

In the March Budget, the Treasury said it expected to repay £14bn this year, although Mr John Major, the Chancellor, has reduced that estimate to £12.5bn.

House prices depressed

House prices in London are unlikely to begin to rise again until May next year, the Royal Institution of Chartered Surveyors said.

Phone service cut off

One-to-one phone services - where companies offer conversations with their employees at a premium rate - provided by Comtel, a Manchester company, have been cut off by British Telecom on the instructions of the Office of Telecommunications, the industry watchdog.

Threat to drugs groups

Big UK drugs companies are likely to face an increasing threat over the next five years from rivals selling cheap generic copies of their products.

However, the new formulations the big companies are developing are sufficiently promising to make their position in the international drugs industry reasonably secure.

These are among the conclusions of two reports on the $130bn-a-year world drugs industry from Barclays de Zoete Wedd and Robert Fleming Securities, two London stockbrokers.

More cash for roads

The Department of Transport yesterday awarded England's 108 local highway authorities a £233m grant towards expenditure on roads that have more than local importance, part of the £12bn 1990-91 road programme announced in the Government's Autumn Statement.

Ford car prices to rise

Ford yesterday started the new year round of car price increases by announcing that its cars would cost an average of 4.4 per cent more from January 2.

Other volume car makers and importers are expected to follow suit shortly.

Ford is the UK's market leader, with a share for the first 11 months this year of 26.4 per cent, with nearest rival Vauxhall, the General Motors subsidiary, taking a 15.16 per cent market share.

MANAGEMENT: The Growing Business

Specialist toy-makers

The art of retaining craft

Charles Batchelor explains the dilemma facing would-be growth companies

Dormouse Designs, a small manufacturer of teddy bears and other soft toys, is at a crossroads. The business has grown steadily since it was set up seven years ago by Sue Quinn and now employs six people (three of them part-time) producing turnover of £100,000 a year.

Quinn, who trained as an illustrator, is wondering how to handle the opportunities for further expansion which are now opening up. Demand for her soft toys, which sell for between £9 and £180, is strong and she is contemplating a move from her small workshop in Bridge of Weir, Renfrewshire, to larger premises. She also plans to attend next month's Earls Court Toy Fair in London for the first time and expects this to open up a wider market for her toys.

"I have established a reputation for unusual, well-made soft toys," says Quinn. "I don't want to move into really large premises but I am planning for some careful growth at the upper end of the market."

The modest expansion that Dormouse has already achieved has led Quinn to appoint one of her employees as workshop manager. This allows Quinn to concentrate on design, administration, exhibiting at trade fairs and on making the limited editions of more expensive soft toys on which she has built her reputation.

Dormouse illustrates many of the challenges which face Britain's small craft-based toy-making firms. Even those which have grown rapidly in recent years, sometimes trebling or quadrupling in size, remain very small companies.

Some, like Dormouse, have ambitions for further growth, but many are content to remain small.

"We want to keep a craftsmanlike approach," says Robin Brookes of Honeychurch Toys, a Market Lavington, Wiltshire-based manufacturer of dolls' houses which employs six people and has turnover of nearly £200,000. "We don't envisage growing much bigger. It is a question of maintaining control and quality."

As capable as they are at designing eye-catching and imaginative toys from fabrics and wood many of the 130-plus members of the British Toymakers Guild, of which Brookes is chairman, regard growth as posing a threat to their standards of craftsmanship. "A lot of our members don't seem to be overly business-minded," comments Becky Sims, as the guild's first full-time manager.

Despite this caution the guild, which represents the smaller, craft-based toy-maker, is keen to take a stronger role in promoting its members' work. Subscriptions have been trebled to £60 and its second annual fair was held last month in Chelsea Town Hall, London. Brookes also wants the guild to play a more active part in helping members sell their wares.

But, even if Britain's small toymakers promote themselves more effectively, their high costs of manufacture mean their products are likely to remain too expensive to appeal to a very broad market. Brookes calculates it takes eight hours to make a ready-made dolls' house which will retail for between £103 and £920. Honeychurch reckons to make most of its profit on its dolls' house kits; these are cheaper but carry better margins.

Brookes has mechanised production of the dolls' houses using drilling and cutting jigs but has gone as far as he can without detracting from their hand-made quality. He has also carefully calculated batch sizes to reduce the time needed to set up machinery while ensuring a steady flow of work through the factory.

The growth of the toy-making sector is also constrained by a shortage of skilled trainees. The London College of Furniture takes 24 students a year on its part-time toy-making course but most go into teaching rather than joining a toy-making firm or setting up on their own. Toy-making companies usually train their employees in their own specialist skills.

Stevenson Brothers, an Ashford, Kent based-manufacturer of rocking horses costing up to £2,500, trains all its own craftsmen. Sue Russell, administrator of the £250,000 turnover company, says it takes two years to train a youngster in wood machining and carving skills. Stevenson Brothers is eight years old and employs 13.

Stevenson reckons that the British lead in the rocking horse arena and says that continental competitors are only active at the cheaper end of the market. But in many other areas of wooden toys continental firms have built up a strong position throughout Europe.

"There is a large market in Germany for wooden preschool toys suitable for encouraging a child's development," comments John Gould, teacher of toy-making at the London College of Furniture. "That is not exploited in this country."

"When we go to the Nuremberg Toy Fair people are discussing the subject of child development," says Charlotte Cooke, joint founder of Tridias, a Bath, Avon-based chain of four toy shops. "Go to the Earls Court Toy Fair and people are talking about margins and discounts."

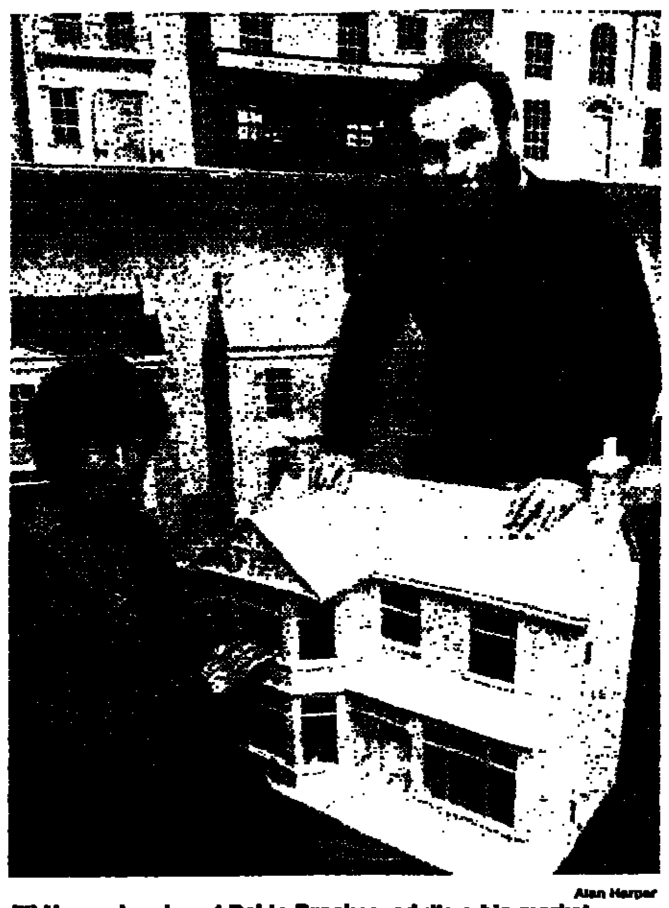
The relatively high prices which the small British craft-based toy companies are forced to charge mean that a growing number of firms make "collectibles" for the adult enthusiast rather than toys for the playroom.

"People only expect to pay so much for a toy," says Brookes. "There are so many mass-produced things around and it only takes a few minutes to press a toy from plastic." Honeychurch's sales used to be split equally between adult collectors and children but Brookes estimates that 60 per cent of turnover now goes to the adult market.

Some toy-makers are unhappy about this swing towards the adult collector because they prefer to make toys for children. But one advantage of collectibles is that demand is more evenly spread throughout the year, rather than at the peak Christmas period. This also eases cash flow problems, which are compounded by present high interest rates.

The trend towards collectibles may be reinforced by new European Community legislation on the safety of toys which comes into effect in January. In future toymakers will have to meet far more specific safety standards and will have to be able to provide documentary proof, in the form of test certificates, that paint is not toxic or fabrics flammable.

"Most of this year has been taken up with meeting the new European standards," says Dormouse's Sue Quinn. "I have had all my toys re-tested." The fear among toy-makers is that the new legislation will make it impossible for the toy-maker to experiment with one-off designs and will erect a barrier to potential newcomers to the toy market.



Alan Harper

Jill Honeychurch and Robin Brookes: adults a big market

One effect of the new safety legislation on Golden Bear Toys, a Telford, Shropshire-based manufacturer of soft toys, was to force the company to remove the suede pads from the paws of one of its range of teddy bears. The suede apparently retained too many harmful chemicals from the tanning process and had to be replaced, says Christine Nicholls, joint founder of the 10-year old company.

Nicholls and her business partner, John Hales, were, respectively, marketing manager and managing director of Chad Valley, a manufacturer of a wide range of soft toys, games and printed metal toys which failed at the end of the 1970s (though the brand name is still used by Woolworth).

Golden Bear retained some of the large Chad Valley accounts and started out supplying own-brand soft toys to large retailers such as Mothercare, Boots and BHS. It now employs 150 people and has turnover of nearly £3.5m, large by the standards of the craft-based toymakers.

Golden Bear has survived the problems which ruined many of the famous UK toymakers in the early 1980s by a combination of constant new product design – it has a development team of six – and by buying in a portion of its range from the Far East. Small, fiddly toys which cannot be made economically in Britain are bought-in; larger toys are made in Telford.

To keep production costs low and overcome a shortage of skilled labour, Golden Bear has machining work carried out by a mix of staff employed on site, home workers and sub-contract machinists.

The management team at Golden Bear represents the opposite, more commercial end of the toy-making spectrum from the craftsmen and women who run Dormouse, Honeychurch and Stevenson. Both types of company are successful in their own segments of the market. For the time being, however, there seems little prospect of the craft-based toy-makers making that leap in scale to produce a UK equivalent of the larger Continental toy firms such as Brio, the Swedish wooden toy-maker or Steiff, the German maker of soft toys.

A crucial role for smaller companies

Small firms play a crucial role in the economies of both developing and developed countries but government policies tailored specifically for the smaller business do more harm than good, according to a recent study.*

In the earliest stages of economic development, self-employment and small firms are an important part of the process by which a country develops commercial skills, discipline and organisation, Graham Bannock, a consultant, and Martin Binks of Nottingham University argue.

As larger, more complex business organisations emerge, small firms play a complementary role in performing tasks which are best carried out on a small scale. They also develop activities which may either be taken up by existing large firms or by new ones. New, growing firms can militate against a lack of dynamism in large ones, it is argued.

For a country to develop a manufacturing industry it must first create a successful and competitive services sector, the authors argue, reversing the traditional view that manufacturing activity precedes the growth of services. Without the facilities provided by service companies manufacturing companies cannot expand, they say.

This was the case in Europe where cottage industries were first set up with outworkers and then, as technology developed, moved into factories. The same is happening today in developing countries; for example, tourism is helping to promote small scale manufacturing in countries such as Morocco and Indonesia.

The role of small businesses in both developed and developing countries has meant that governments have developed targeted policies to back the small firm, particularly the small manufacturing business.

This approach ignores the fact that manufacturing and service businesses are closely linked and assumes that policies can be focused on the individual businesses which need assistance. Closely targeted polices are at best ineffectual and at worst have serious side effects, the authors say.

Policies in, for example, India aimed at promoting businesses making soaps and handloom goods have reduced competition, inhibited technical change, impeded export-led development and created thresholds beyond which small businesses are discouraged from growing.

The licencing and control of distribution in, for example, Mozambique created state shops which were inefficient and unsuccessful, driving much trade underground.

In general, the less specific direct government intervention is, the more likely it is to be effective, the authors say. Positive policies to improve the flow of funds to small business are often needed but can reduce the incentive for businesses to make the best use of capital resources. Informal credit arrangements, which put peer pressure on borrowers to repay loans, can be more effective than direct government lending schemes.

Training programmes are also desirable but are difficult to implement. Training programmes would have to be on an enormous scale to have much impact and face problems in finding enough skilled trainers. The best method of training is on the job though proprietors and employees will both be more responsive if they have received a good basic education.

Broad policies to improve the climate for all businesses are more likely to be effective than programmes aimed at helping small firms alone. Policies to control inflation, keep taxes low and broadly based, develop education systems and promote competition in banking will be more effective than tax incentives, low interest loans and special programmes, the authors conclude.

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CB

In brief...

■ Britain's banks provide a poor service to small businesses regardless of the part of the country in which they are based or the industrial sector they are in. This is the conclusion of the third in a series of surveys* of banks by The Forum of Private Business, a small firms' lobby group.

No bank has a single, marked advantage in any region of the country and national policy is uniformly applied, the survey said. Retailers are dissatisfied with bank charges because they expect their bank to handle large amounts of cash while manufacturing firms were most concerned about collateral because they relied heavily on loans to buy plant and equipment.

"The UK clearing banks present considerable shortcomings in terms of the services they provide to the small firms sector," the report said. "Small firms appear to have no alternative whatever bank, region or industry they choose." The banks must either change their approach or lose customers, said Stan Mendham, the forum's chief executive.

* *Small Businesses and Banks: Regional and Sectoral Aspects. £75. The Forum of Private Business, Ruskin Chambers, Drury Lane, Knutsford, Cheshire WA16 6HA. Tel 0565 4467.*

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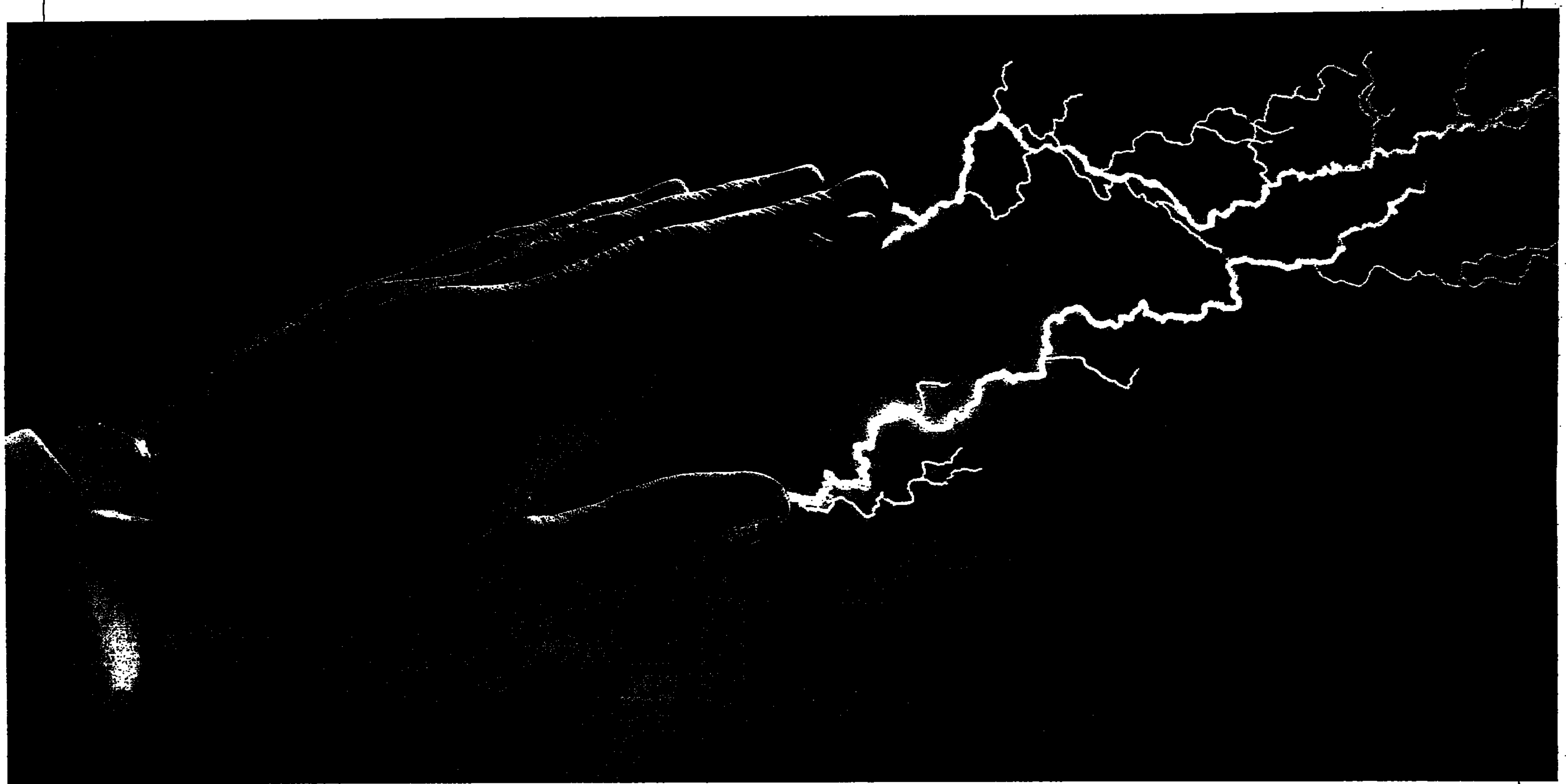

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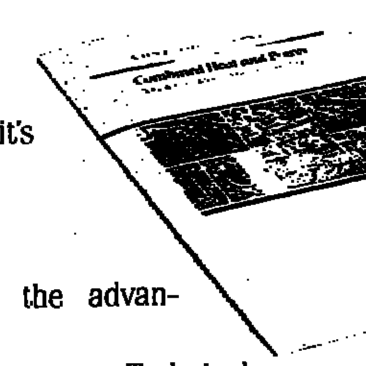

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F.T.4

Contemporaries old and new

William Packer on shows at the ICA and the Serpentine

THE NEW Contemporaries, the annual review of student work selected from an open submission, has been revived after a lapse of three years. Buttressed by fresh sponsorship and all set for a national tour, the somewhat grandiloquently relabelled *British Telecom New Contemporaries* now seems safe, at least for the next few years. It remains at the ICA until January 14 before going on to Manchester, Bracknell, Halifax and Kendal.

So far, so good, but we must be quite clear what the *New Contemporaries* now is. In 1974 it took the place of the ebullient and unpredictable *Young Contemporaries*, long defunct through factional interest, chaotic administration and general insolvency. But for all its manifest sins and wickedness, the Young Contemporaries was and remains unique for being an exhibition for students organised and selected by students. To be noticed and celebrated by one's peers was the great thing; and only students need apply.

"There is no other outlet," the press release quotes one Colin Browne of British Telecom as saying, "where young artists en masse have the opportunity of submitting their works to a prestigious panel of judges . . . Hopefully, as in the case of Hockney, Auerbach and Howard Hodgkin – all New Contemporaries exhibitors in their youth – some will go on to gain national and even worldwide recognition." But there are now many exhibitions and prizes limited to young artists. And Hockney, Auerbach and Hodgkin were not New but Young Contemporaries, submitting their work not to any "prestigious" panel but to their fellow students. To claim them, and the Young Contemporaries in its old entirety, is a shade disingenuous.

If I labour the point, it is only to make clear that this present exercise is in reality a new venture altogether, and one with merit enough to stand on its own. Sacha Craddock, art critic on The Guardian and one of the panellists, writes in the catalogue that the show features far fewer artists than before: "When possible we have shown more than one work by each artist in order to avoid the jumbled lack of context that often blights this kind of show." Leaving aside the thought that that jumble itself might be the truer context, she continues: "We chose what we thought was the very best: we had no desire to represent what was going on in art schools generally. This is not a liberal show to please all. It is intended to do justice to those chosen . . . "

Such intentions are honourable and unexceptionable, and it is good to have a jury prepared to take particular responsibility for a choice that inevitably reflects its own interests and judgement. One can reasonably suppose that the knowledge of who those jurors were to be had its effect upon the submission.

With Jon Thompson of Goldsmiths' College, well known for the rigorous conceptualism of his own work, Nicholas Logsdail of the Lisson Gallery, sculptors Veronica Ryan and Richard Wilson, and Iwona Blazwick of the ICA completing the panel, to discover a show of beautifully crafted objects, with a strong bias away from the figurative towards the conceptual, the minimal and the abstract, comes as no surprise.

As such it is a good exhibition. Of the painting, the elegant abstract expressionism of David Foster, the hard-edge abstraction of Michael Hickling and the more tactile and rhythmical single colour surfaces of Tom Benson are all impressive. Julian Lee's photography and John Howard's etching also stand out, and as for the sculpture, I was particularly taken by Marcus Taylor's simple and enigmatic rusty steel box, Tom Freeston's more quirky cone with its spouted top, and Mike Turner's sequence of hypnotically huffing and heaving paper bags.

*

Aleksandr Rodchenko & Varvara Stepanova, at the Serpentine Gallery (Kensington Gardens W2: until January 28), comes to London from New Beginnings in Glasgow, where it originated.

Its subject is the creative collaboration between artist-husband and artist-wife across so many of the visual disciplines of the fine and applied arts, that flourished briefly in the years immediately after the Revolution and was sustained in the family workshop throughout the Stalinist period. Rodchenko and Stepanova died in the mid 1950s, but *their workshop has continued active* until today in the hands of successive generations of the family.

In a time of such traumatic upheaval and bitter introspection throughout the Communist world, when all the historic aspirations towards an ideal social order have been exposed as the fond hopes they always were, cynically betrayed and compromised from the start, it is both sad and salutary to consider that early sincerity and excitement.

There must have been a moment when it seemed the new dawn at last was breaking, that for artists would bring in the true day of their modern art. The constructivists, painters and sculptors, the Rodchenkos among them, rallied to the cause, and the sheer exuberance of their graphic invention, in posters and labels, covers and illustration, fashion and decorative design, is still infectious. Here it all is, at once charming and persuasive.

But the moment passed. The Rodchenkos kept to their work, but it grows more various and inconsequential, quieter, more reflective and ironical, drawn in upon itself. Their photography of the 1930s is especially interesting, and magnificent besides, as much for the political obliqueness it infers as for its formal and incidental content. The greater hope, of course, is that life goes on, and art with it. How heartening it is, at last, to recognise two artists here, not great artists perhaps, who yet remained true to themselves, in the worst of worlds. *Ars longa* . . .

Aleksandr Rodchenko's photo-montage of 1923: an illustration for Mayakovsky's poem 'Pro Eto' - about life

Solti's 'Messiah'

FESTIVAL HALL

On Sunday with the London Philharmonic and its Choir, Georg Solti conducted just the performance of Handel *Messiah* as expected, and very exhilarating it was. Athletic and urgent, of course – I've not heard a speedier *Messiah* – with *ritenuti* only at the very last moment in each number; vehemently characterful in the briskest music; moderate tempi; extreme dynamics, no less electrical at *pp* than at *ff* (though he opted for something like Handel's modest original band); carefully sympathetic to his fine quartet of soloists, who were slotted nevertheless into an undiluted Solti reading.

There are alternative readings, but this one was too bright and intensely professional (and professionally intense) not to enjoy. Some listeners – to Radio 3 as well as in the hall, for it was broadcast live – might have missed a degree or two of majestic gravitas; certainly the moments of triumphant release, not least the "Hallelujah" chorus, were more gladiatorial than thankful. But the overall effect was not domineering: partly because Solti so often took advantage of the Choir's brilliantly clean passage-work in *pianissimo*, and partly because he was prepared to relent for his soloists' most feeling excursions.

Felicity Lott, who replaced Joan Rodgers as solo soprano, was in sterling form, gleaming in "Rejoice greatly" and melting – but never sentimental – in "I know that my Redeemer liveth." The Dutch mezzo Jard van Nes wielded fervent authority (in faultless English) and quite a lot of chest-voice; her "duet" with Miss Lott was an exciting drama of contrasts. The bass was Gwynne Howell, sensibly musical but not in his fullest voice until "The trumpet shall sound," to which he rose with confidence (earlier, Solti's enactment of "Why do the nations so furiously rage together?" had made daunting competition).

Throughout, Keith Lewis used his candid, well-schooled tenor to unfailing effect, and with the Crucifixion tragedy of Part II – as much in the recitatives as in the arias – his unadorned sobriety was poignant. It may seem like luck that these appealing individual voices should have rounded out the human dimension against the conductor's ferally relentless drive; but it's just as likely that it was exactly what Solti had planned.

David Murray

Dmitry Alexeyev

QUEEN ELIZABETH HALL

It is never easy to predict in what mood a recital audience will find Dmitry Alexeyev; on Sunday evening to a packed Elizabeth Hall he offered his least appealing side. Technically his playing was faultless, if unvarying in its strident tone; musically it was brusque to the point of aggression.

His programme of Schumann and Chopin called for rather more than fast reflexes. Those were well displayed in the scherzo of Chopin's B minor Sonata, delivered as torrentially as I can remember, though without any real sense of shape, and in driving the finale of the sonata to its audience-rousing conclusion, less rewardingly in the faster sections of *Carnaval*. Alexeyev's Schumann seemed here a peculiarly hard-hearted affair; the rare set of *Klavierstücke* Op.32 are by no means first-rate Schumann, but certainly could seem more winning with less severe treatment; they were held at arm's length, trimmed to the rhythmic bone, outlined in the starkest black and white.

The same hard heart racketed through *Carnaval*, the conception seasonally immaculate, and without the merest *hint of wit or charm*; the final March was positively savage. There were shreds of greater intimacy in the four mazurkas of Chopin's Op.67, and as the Largo of the sonata developed Alexeyev began to find the more personal vein that characterises his best work. By then though his programme was almost past, and it was too late to salvage much from what had been undoubtedly the work of a finely talented pianist, but one who seems at present curiously at odds with himself and his repertory.

Andrew Clements

I vespri siciliani opens the season at La Scala, Milan

It was a curious and enlightening experience to see La Scala's inaugural production of Verdi's *I vespri siciliani* twice within a few days, first on television, in a "live" broadcast, and then, even more live, from the centre of row S in the house.

On the small screen, Pier Luigi Pizzi's eccentric staging of the first act worked well. Contradicting the composer and his librettists, Pizzi divided the act into several short scenes, using a black drop-curtain to separate the stage as elements of the set were minimally altered. Thus the drama seemed to have a cinematic cut, which the shrewd TV producer Christopher Swann exploited, while opportune close-ups kept the performance visually lively. His approach made the singers' movements less important, and their voices gained impact, too. Further, by cutting off the live audio as soon as curtain fell, and introducing a voice-over, Swann was able to mitigate the impression of the audience's hostility, especially in the last act.

Scene from 'I vespri siciliani'

When I reached La Scala for the second performance, direct experience revealed more clearly that this *Vespri* was not enthusiastically received; and though the gallery's boisterous and cruel booing was excessive, it was not totally unjustified. The chief victims of the loud reaction were the tenor Chris Merritt (warmly applauded last season as Arnoldo in *Guglielmo Tell*) and the soprano Cheryl Studer, who also appeared in that *Tell*, to a cooler reception. Apparently Merritt is now being blamed for not being a "Verdi tenor." This charge was promptly picked up by the press, and the weekend papers were full of interviews with singers, voice coaches, musicologists, who handed down authoritative statements about the current shortage of "Verdi" singers and its cause.

In the mid-19th century (and afterwards), singers freely sang Verdi one night and Rossini the next. More than a special voice, Verdi demands a certain kind of musical intelligence and genuine interpretative power. Not realising this, and probably influenced by the press discussion, at the second *Vespri* performance all the singers sang much louder – and less well – than at the first, as if they were determined to show the audience how "Verdian" they could be. In the brief, lilting lovesong of the last act, for instance, Merritt abandoned the falsetto that had won him catcalls at the première and sang in a strained piano, clearly in trouble. Returning to falsetto for the final, offstage "addio," he went totally awry and was duly booed. The trouble with Merritt's voice is not that it is un-Verdian: it is uninteresting. Whatever part he undertakes, he remains simply the tenor. In much of Rossini, he can get away with it, thanks to his ringing high notes. With Verdi, no.

Studer, whose voice *is* interesting, seemed to sing well at the première, though she was booed after the Bolero, presumably because she did not attempt the famous high note at its end. During the second performance, however, she forced her voice mercilessly, and by the last act it was audibly tired. It failed her a couple of times, and members of the audience made their displeasure heard. A pity, because in a less nerve-racking context she could have been a moving and satisfying Elena.

Neither the baritone, Giorgio Zancanaro, nor the bass, Ferruccio Furlanetto, has an expressive voice, nor is either much of an actor. But, as they did nothing mean on this occasion, they survived unscathed. And, in fact, they were both less anonymous than usual, more eloquent. And for this improvement the credit must probably be given to the conductor Riccardo Muti.

Muti was the hero of the evening. An advocate of this difficult, generous score, in which the volcanic early Verdi is enriched by a French grandeur and taste, the conductor inspired the Scala orchestra to new heights of playing both heroic and seductive. The opera moved at its own pace, events – now intimate, now splendidly public – succeeded one another without any indulgence or sagging. Still, Muti could perhaps have worked a bit more with the singers. At times, the listener had the sensation that they had no sense of the opera's meaning, its subtelties. When Arrigo (Merritt) first meets Procida (Furlanetto), he has a simple line, "Procida l'amico" a warm, natural attestation of friendship; Merritt was allowed to bellow the words as if they were an accusation.

In 1971 Pier Luigi Pizzi designed a memorable *Vespri* for La Scala (staged by Giorgio De Lullo), shifting its setting from the 13th century to the Sicily of the Risorgimento and Garibaldi. In this new staging, for which he is also the producer, Pizzi again chose a mid-19th century ambiance, but with some puzzling aspects: thus the first scene, described in the libretto as "the main square in Palermo," is moved to a beach, thereby diminishing the effect of the required beach scene in the next act.

Similarly, Pizzi places the last scene inside a church. In addition to dividing the short act unnecessarily, this lovely but misplaced setting cramps the concluding rebellion, which is always a problem for producers, and in this case, a terrible anti-climax. The historic rebellion has the dimensions of a neighbourhood brawl.

As might have been expected, Muti decided to include all the dances, choreographed by Micha Van Hoecke. In agreement with Pizzi, Hoecke scrapped the original programme of the extended 3rd act divertissement, and instead of a "Four Seasons" ballet, we had some pretty plastic poses for Carla Fracci, alternating with lively 19th century salon dancing. Pizzi's costumes were handsome throughout the evening, but his dresses for the ballerinas (contrasting with the "graduation ball" uniforms of the men) were a masterpiece of nuance and delicacy.

In fact, though the Verdian might quarrel with some of Pizzi's sets, they were never less than pleasurable to the eye, as Muti's magisterial conducting made the performance, in spite of any singers' deficiencies, always a delight to the ear. Verdi's opera is long (beginning at 7.30, the performance ended after midnight), but also timeless, in every sense, as Muti made us realise.

William Weaver

The Lady or the Tiger

ORANGE TREE, RICHMOND

This whimsical little musical – the long awaited son of *Salad Days* – was such a success when it was first commissioned by the Orange Tree in 1975 that it later transferred to the West End. Don't wait for another such miracle, but squeeze into the cramped little theatre above the pub near Richmond Station some time during the next six weeks. For *The Lady or the Tiger* works best as an intimate party piece.

There is probably a minority whose worst fear is to be stuck in a small space with four extrovert actors (and one introvert musician) who sing, shout, sweat, spit and generally have a whale of a time belting out a twee little adult fairy story about a demented king, a sexually retarded princess, a lugubrious factotum and a moody wandering hero who looks like John Travolta – I thoroughly enjoyed it.

The plot has acquired a few extra oddities over the years – you recognise a little hippy fantasy here, and there a touch of "folk lore as metaphor," which so inspired European writers around 1950. But most of the silliness is charming, with the King keeping his people happy with candle lightings and an annual Bingo competition (if you lose its "Bingo") in a dictatorship where "Happiness is King Sized." Tension is created as the finale approaches and the princess has to choose whether she wants her quickly acquired lover to marry her rival or be eaten by a tiger.

What makes it work is undoubtedly the music (by Nola York), with the lyrics of Michael Richmond, who also wrote the book with Jeremy Paul. It is unusual to come across such a flow of fresh and original tunes, which, with just one exception ("What would you do?" is a country blues) owe little to musical fashions. The love songs hang a bit (they always do in Christmas entertainments) but the rest roll the piece along, and no first night critic failed to lend hands to the audience participating "Chariot Wheels."

Jonathan Adams floats it with lugubrious charm as the factotum; Richard Tate is manic as the king; Amanda Garwood is affecting as "Daddy's Little Girl," a strapping 25 year old confined to stuffed toys, more predictable when awakened into "Daddy's Little Slut." Mark Lockyer has a shadowy part as the hero-victim, but does look like John Travolta. Mark Stewart plays the music and Keith Strachan directs with gusto.

Two points – the format may seem family stuff, but the lyrics are spicy enough to confuse young innocents (though perhaps not in Richmond), and surely the ending should be left in the hands, or voices, of the audience?

Antony Thorncroft

SALEROOM

£29,000 for Marilyn's dress

New York has been selling off Hollywood. Over the last few days both Christie's and Sotheby's have been offering memorabilia from the Golden Screen at prices which still seem quite modest. Errol Flynn's Lincoln Green costume from *The Adventures of Robin Hood* was sold by Christie's East for just $5,124 while Greta Garbo's dress worn in *Queen Christina* made $6,491.

Certain films have cult status, among them *The Wizard of Oz*, which accounts for the dress worn by Judy Garland in her screen tests for the part doubling its estimate to £12,298 and a Munchkin costume worn by the Lollipop Kid selling for £8,862. On a more literate level the shooting script for *Casablanca* made £10,240 and that for *A Streetcar named Desire*, £6,491.

Over at Christie's main New York saleroom the props of Paramount Pictures sold for just over £1m, with the top price being the extraordinary £171,875 paid for a pair of walnut commodes which featured in the first Debbie Reynolds hit, of 1954, *Susan Slept Here* and then in an even less distinguished movie *Slightly Scarlet*.

These were not items of furniture run up in the studio workshops. The commodes were Italian rococo of the mid 18th century, made of walnut. Even so the glamorous history multiplied their price more than ten fold over the estimate.

Sotheby's disposed of Marilyn Monroe's dress from *Gentlemen Prefer Blondes* for £29,000, four times forecast, but surprisingly the blue and white check dress worn by Judy Garland in *The Wizard of Oz* failed to find a buyer.

Antony Thorncroft

ARTS December 15-21

OPERA AND BALLET

London

Royal Opera, Covent Garden. The revival of *Der Freischütz* brings back to Covent Garden the production's original conductor, Colin Davis, and leading tenor, René Kollo; the cast also includes Karita Mattila, Judith Howarth, and Hartmut Welker. Sadler's Wells. The theatre's section of the Royal Ballet opens a Christmas season on Tuesday with an attractive triple bill of MacMillan ballets.

Paris

Théâtre des Champs Elysées. Bolshoi Ballet alternates *Giselle* (2nd act) and *Spartacus* (2nd act) with *Paquita, Divertissements* and *Raymonda* (3rd act), all choreographed by Yuri Grigorovitch (47203637). **Opéra.** *The Sleeping Beauty* in Rudolf Nureyev's production and choreography after Marius Petipa (47425371).

Amsterdam

Muziektheater. The National Ballet with *The Sleeping Beauty* (Peter Wright after Petipa). The Netherlands Opera in *Don Pasquale* conducted by Carlo Rizzi and directed by Renate Ackermann (255 455).

Brussels

Brussels Opera and Ballet Centre Culturel d'Anderghem. The Grand Orchestre Lyrique in Bizet's *Les Pecheurs de Perles* staged by Christiane Gruselle, conducted by Jacques Grosjean.

Antwerp

Koninklijke Vlaamse Opera. Royal Flanders Opera in Richard Strauss's *Ariadne auf Naxos*, conducted by Rudolph Werthen and staged by Goran Jarvefelt.

Vienna

Staatsoper. This week: *Così Fan Tutte* conducted by Nicolas Harnoncourt; *Il Trovatore* conducted by Pinchas Steinberg; *La Forza del Destino* conducted by Pinchas Steinberg; *Der Rosenkavalier* conducted by Welkert.

Berlin

Opera. *Tosca* has a strong cast led by Pilar Lorengar, Giorgio Merighi and Ingvar Wixell. The new *Samson und Dalila* production by Gian Carlo del Monaco was well received last week.

Hamburg

Opera. *Eugen Onegin* has a first-rate cast led by Bernd Weikl, Olive Fredricks, Gabriela Benackova and Daphne Evangelatos. The rediscovered opera *Der Schatzgräber* by Schreker is sung by Gabriele Schnaut, Josef Protschka, Harald Stamm and Franziska Ponitz. *Zar und Zimmermann* is a repertoire performance and *Hänsel und Gretel* returns.

Bonn

Opera. Udo Zimmermann's performance of his opera *Die Wundersame Schustersfrau*, which opened last week, was extremely well received. The strong cast is led by Maria Hussmann, Rolf Haunstein, Brigitte Lindner and Christine Obermayr. *Der Nussknacker* is choreographed by Youris Vamos.

Frankfurt

Opera. *Tosca* in Jean-Pierre Ponnelle's production stars Galina Kalinina, Giacomo Aragall and Alain Fondary. *La Bohème* has fine interpretations by Eliane Coelho, Patricia Wise and Fabio Armiliato making his Frankfurt debut as Rodolfo.

Cologne

Opera. *La Finta Giardiniera* will have its premiere this week, produced by Willy Decker, conducted by Lothar Zagrosek. *Faust* features Christian Lara in the title role, Stefanie Friede and Ulrich Hielscher. *Die Zauberflöte* has Susan Burghardt repeating her much praised performance as Queen of the Night.

Madrid

Ballet Nacional de España. *Don Juan* is a new ballet that is choreographed by artistic director Jose Antonio, who is also the lead dancer, and is conducted by Enrique Garcia Asensio. Ends Dec 30.

Rome

Teatro dell'Opera. Beni Montresor's production of Verdi's *Falstaff*, surprisingly set in the Po Valley in northern Italy, conducted by Evelino Pido. (461755).

Milan

Teatro Alla Scala. Season opens with Pier Luigi Pizzi's lavish but not particularly well-received production of Verdi's *I Vespri Siciliani*. Both Chris Merrit (Arrigo) and Cheryl Studer (Princess Elena) give mixed performances in their long and taxing roles, but Ferruccio Furlanetto is excellent as Giovanni da Procida. (809126).

New York

Metropolitan Opera. The week features the first performance of the season of *Wozzeck*, conducted by James Levine, with Hildegard Behrens, James King and Graham Clark. Performances continue of August Everding's production of *Der fliegende Holländer*, conducted by James Levine with Eva Marton, James Morris and Paul Plishka. (362 6000). **Alvin Ailey Dance Company.** Only a week after the sadly premature death of the company founder and choreographer, the group perform their familiar but ever rousing mix of lively dance steps set to American gospel, jazz and folk rhythms. Ends Dec 31. City Center (581 7907).

Chicago

Lyric Opera. Barbara Daniels is Rosalinda and Neil Rosenshein sings Alfred in director Giulio Chazalettes's new production of *Die Fledermaus* conducted by Julius Rudel. Frederica von Stade continues as Rosina and Thomas Allen as Figaro in Roberto De Simon's production of *The Barber of Seville*, conducted by Alessandro Pizzauti. Lyric Opera (332 2244).

Tokyo

Bulgarian National Folk Ensemble. Shinjuku Bunka Centre (Mon) (350 1141).

FINANCIAL TIMES
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The touch of Collor

BRAZIL'S first democratically elected President in 29 years looks set to be Mr Fernando Collor de Mello, the centre-right candidate, who has triumphed on a platform of clean government and liberal economic reform. Although the official result of Sunday's second round of the presidential election is not due until later this week, Mr Collor has established an unbeatable lead over his Leftist rival, Mr Luis Inacio "Lula" da Silva, who in the last days of the campaign mounted a formidable challenge.

Brazil faced a leap in the dark whichever of these two candidates came out on top. However, on the positive side Brazil at last has a popularly elected leader with a mandate to end the appalling drift and corruption that has characterised the four years of President José Sarney's rule. Of the two candidates, Mr Collor is a more predictable quantity and certainly his policies are more rational for dealing with Brazil's problems – especially the most pressing one of hyperinflation.

Mr Collor campaigned on the twin planks of a crusade against corruption and of a radical economic shake-up through cuts in public spending, privatisation and by ending protectionism. This is the kind of modernising message which needs to find acceptance in Brazil.

Clear alternative

Lula, the leader of the Workers Party, offered a clear alternative, by pledging to end the privileges of Brazil's ruling elite and to redistribute the country's wealth. Wrapped in the language of socialism and liberation theology, he envisaged a corporatist development model for Brazil. His appeal – compared with his opponent, who has changed political parties four times during his career – was as a man of firm convictions, responsible for building up the sole well-organised and uncorrupted political party in Brazil. In their different ways, both candidates were challenging the system from the outside and caught the public desire for a more honest and open political system, with Mr Collor playing the liberal and Lula the socialist reformer. This explains why they beat better known politicians from the main parties and reached the election run-off.

Apart from being governor of one of the most insignificant states in Brazil, the youthful Mr Collor has no experience of government. He will have to learn quickly. His greatest problem centres on the ambiguous role accorded to the president in Brazil's new constitution. Although the president can rule by decree, significant blocking powers are in the hands of Congress.

Government paralysis

The Congress he inherits has exercised power without responsibility, helping to create a paralysis in government. A truculent Congress in Brasilia, which fears it might lose its privileges, can undermine almost anything substantive Mr Collor proposes. The Constitution cannot be altered until 1993 and Mr Collor's relations with Congress will hinge on its composition after next October's elections.

Brazil's economic plight is so parlous that Mr Collor will be under pressure to take office before the March hand-over date. With the experience of President Menem of Argentina in mind, it would be better to resist a rushed transition and concentrate on assembling a good economic team with coherent policies. If he is to have a chance of tackling hyperinflation successfully, he must try and establish a consensus among the widest possible spectrum of opinion on policies which, by their very nature, will be unpopular. Lula, with organised labour behind him, has said he would oppose a Collor shock programme which squeezed the working man and Brazil's poor, and he may prefer to play a spoiling role to profit in the vital October congressional elections.

Internationally, Mr Collor will be greeted with relief since he wants a dialogue with Brazil's creditors over its huge foreign debt, while Lula promised a moratorium. For almost a year Brazil has not been meeting its obligations. The change of government should at last make Brazil a serious contender for help under the aegis of the Brady Plan. The onus is on Mr Collor to secure sympathy for Brazil.

Gatt misses an opportunity

ONE OF THE FEW tangible results of the trade ministers' meeting in Montreal a year ago was the decision to require the secretariat of the General Agreement on Tariffs and Trade to produce regular reports on its members' trade policies. Its first reports published last week on Australia, Morocco and the US show that it has largely failed to rise to the challenge afforded by this new surveillance role.

Though they provide a wealth of basic information, which will delight professional trade policy analysts, the reports lack the critical strength that would make them a useful lever for forcing change at the national level. The Gatt secretariat has simply run away from an opportunity to promote liberal trade by asserting itself in its role as an arbiter of national policies.

The purpose of the surveillance scheme introduced in Montreal was to balance the protectionist pressure facing governments with a series of well-publicised reports from the Gatt secretariat. It was specifically charged with examining the impact of its members' policies and practices on the trading system.

Acid test

A particular aim was to complement the influence of the International Monetary Fund and World Bank on the economies of developing countries with a formal Gatt surveillance mechanism that would help influence the policies of industrial nations.

The acid test of such a scheme is whether it leads to any actual change in policies. With the possible exception of Australia – which was revealed to be a liberal reformer, but with much more lingering protection than many suspected – there is little chance that these reports will have any impact on policy in the short-run.

In the longer run, the story could be different. There were a number of reasons why Gatt felt it had to be circumspect in producing its first reports. The whole scheme is experimental. It had to be careful not to go overboard. These are the first country reports Gatt has ever produced, which is a step forward in itself. Furthermore some of its members, led by India, had complained that its charter forbids it from direct criticism of their policies.

Limp judgment

Though the judgment in the reports is limp – it comes as no surprise to anyone that the world at large views US unilateralism as "a matter of serious concern" and it is disappointing that Morocco's prospective anti-dumping legislation is dismissed in half a sentence – they do provide all the ammunition needed to mount a serious policy critique on each of the countries concerned. Having provided this ammunition, the secretariat passed what it hoped would be a loaded gun to the Gatt council whose discussion is supposed to form an integral part of the review. The idea was to see if the council could summon the courage that the secretariat lacked.

By and large council discussion was muted, bearing all the hallmarks of a carefully stage-managed, non-event. Perhaps because they fear the day when they themselves come under scrutiny, Gatt members also failed the short-run test.

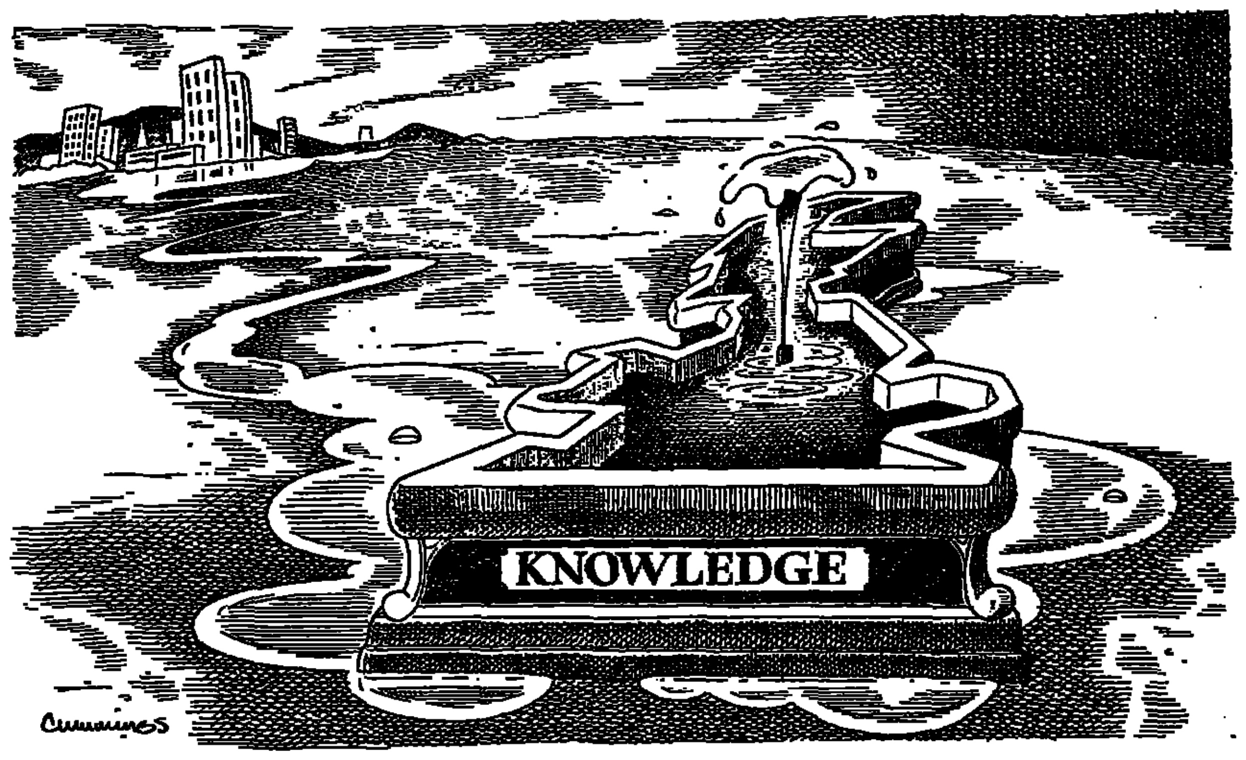
What is left after this process, however, are three informative country reports. As they are digested by the experts, they should contribute to a much more rounded and informed public debate on policy, which may eventually have some indirect influence on the behaviour of policy-makers. But that is no substitute for the kind of pressure Gatt could have exerted now if it had chosen to be more outspoken.

Trade policy is important. The public needs to know more about the cost of protection and the degree to which it is prevalent, if urgent risks facing the liberal trading system are to be averted.

For Gatt that means producing reports that will find their way into the congressman's in-tray and the businessman's briefcase instead of mouldering in a university library. If Gatt wishes to assume its rightful place as a strong international institution at the centre of a healthy system, it must make its language simpler and its conclusions blunter.

David Thomas examines the claims that Britain is losing academics overseas

The truth about the brain drain



Bernard Williams, former provost of King's College, Cambridge, was profiled by a British newspaper in February as "Britain's leading academic in exile." Speaking from his new abode in San Francisco, Prof Williams condemned the UK Government for inflicting "organised philistinism" on the universities. He was one among many academics, the newspaper said, who "have written off British education."

Six months later, Oxford University proudly announced that Prof Williams was moving from Berkeley to take over the White's Professorship of Moral Philosophy. The exile, it appeared, was over.

As a distinguished philosopher, Prof Williams would be the first to counsel against basing a general conclusion on individual instances. He stressed that his return to Britain was a personal matter which proved nothing about the state of British higher education. Yet swapping anecdotes about the career choices of star names in academia is precisely the level at which the debate about the "brain drain" tends to be conducted.

Worries about Britain's best academics fleeing the country are a perennial weapon in the struggle between the Government and the universities over resources. A brain drain row has flared up regularly during the last two decades, most recently this year in an angry exchange of letters and statistics between Mr Robert Jackson, Minister for Higher Education, and the Committee of Vice-Chancellors and Principals.

Yet this close scrutiny of a problem by some of the country's leading brains has done little to resolve the simple question: is there an unacceptable haemorrhage of talent out of Britain? Both sides can construct a respectable argument for and against the existence of a drain.

The argument against: There is no net exodus from Britain of full-time university staff, as Mr Jackson has repeatedly stressed. There has been a small net inflow of 360 academics into British universities from overseas jobs during the past eight years. As a matter of pure statistics, the brain drain from Britain's universities is a myth.

The vice-chancellors' committee has indulged in some exaggeration to argue the contrary. In July, it issued a statement accepting that there was no outflow of academics in 1987, the latest year for which figures are available, but it added in a widely reported comment: "Among professors and readers, the academic high-fliers, substantially more left than came into the country."

In fact, Britain notched up net exports of precisely 10 professors in 1987 – 0.2 per cent of its professoriat. More a dribble than a drain, one might conclude.

This conclusion is backed up by the most authoritative recent study of the migration of UK scientists and engineers, published in 1987 by the Royal Society and the Fellowship of Engineering. It concluded that the number of university scientists and engineers leaving Britain every year was not large – typically less than 0.5 per cent of the total. Many more British scientists and engineers settled in the US in the mid-1960s.

A tour round Britain's most prestigious universities, where one would expect the lure of big US salaries to be at its most acute, tells much the same story.

Oxford has recently enjoyed a net inflow, from US universities like Stanford, Princeton and the Massachusetts Institute of Technology, in some sciences and maths. Mr Geoffrey Skelsey, assistant registrar at Cambridge, is hard-pressed to think of more than six professors who have quit for jobs overseas recently: "there's so few, it's extremely difficult to identify a trend.

The reasons vary enormously," he says. Prof Eric Ash, rector of Imperial College, London, agrees: "We have lost a few very talented people to other countries and we have gained rather more."

The argument for: The case that there is a brain drain looks stronger from a different perspective – that of individual subjects.

Academics in most disciplines can recite a roll call of important names that have left the country this decade. The debilitating effect of the brain drain, they say, stems not from the quantity but from the quality of the people leaving – a point also stressed in the Royal Society's 1987 study of migrating scientists and engineers. World class university departments or research teams often revolve around one or two individuals: lose them and the damage is out of all proportions to the numbers involved.

Economists have made the strongest case that Britain's standing in their discipline has been damaged by an exodus of top talent. Recent emigrants have included Prof Wilhelm Buiter, the macroeconomist who left the London School of Economics for Yale, Prof Amartya Sen, the social choice theorist who quit Oxford for Harvard, Prof Oliver Hart, the microtheorist who moved from the LSE to MIT. The LSE's Prof Richard Layard has calculated that the work of the top eight emigrating economists was cited last year in mainstream economic journals more often than the entire economics faculties of the LSE (55 staff), Oxford (72 staff) or Cambridge (64 staff).

A similar story emerges in other disciplines. Dr George Bernard, secretary of the History at the Universities Defence Group, can name only about a dozen historians who have quit Britain since 1987. But he adds that they are among the best: "Their departure has an effect disproportionate to their actual numbers . . . They are among the historians who inspire their colleagues and the next generation."

The loss of young talent is as important as the exodus of a few stars. The cuts in staffing in British universities in the 1980s mean that many academics have to look overseas for permanent jobs after completing their PhDs. This nameless army does not show up in the statistics of established academics quitting the country. As many go to work in research laboratories run by large US companies as in US universities.

Some idea of the scale of the problem can be gleaned from a petition now circulating among British scientists and engineers working in the US protesting against the Government's treatment of higher education. More than 900 have already signed the petition, which is being organised by Dr Marie Rose van Schravendijk, an

Britain notched up net exports of precisely 10 professors in 1987; more a dribble than a drain

immunologist who found work at the Palo Alto research labs of Schering-Plough, the US pharmaceuticals group, after taking her doctorate at Oxford. The petition, which will be sent to the Prime Minister, says: "The dearth of funding for state-of-the art equipment and supplies, coupled with the lack of jobs and career prospects for young academics, are major obstacles in our considering returning to the UK."

The factors pushing these two groups – the stars and the young – overseas inevitably differ. With the stars, salaries are a consideration. The average salaries of full professors in US Ivy League universities range from £74,000 in law to £44,000 in fine arts. In Britain, universities now have discretion to pay individual professors supplements above the professorial minimum of £24,783, but even the most prestigious names are probably only in the £30,000-£40,000 bracket. This pay disparity not only lures British academics abroad, it also hinders British universities recruiting world-class people from the US.

With the young, the issue is more one of the brute lack of jobs – a factor which has also prompted some lecturers in mid-career, seeing promotion paths blocked, to choose a foreign post.

Just as there is no one problem, so too there can be no one solution. Stars and other established academics need higher pay and better facilities in the universities, yet this obvious statement opens up a pandora box of issues which Britain's academic establishment seems unwilling to consider.

High salaries for some US academics go hand-in-hand with wide differentials in the US between and within disciplines. While facilities like equipment may be better in some US universities, other aspects of the US academic scene are tougher. Mr Andrew Oswald, an economist who this year moved from the LSE to Dartmouth, says: "People work harder here. It is quite common to find a third of the department in their offices on Sunday mornings."

It is quite absurd for all the 50-plus British universities to aspire to the pay and facilities to be found in the US's most prestigious Ivy League faculties. Flexibility has been injected into the university pay structure and some vice-chancellors say privately that their control over professorial salaries now gives them the leverage they need to keep their best people. Yet Britain's academic establishment has generally set its face against increasing the spread of salaries, which has a long way to go before it begins to approximate the position in the US.

For academics starting their career or in their early 30s, paradoxically, a major problem is the very stability of the academic profession. Since very few senior academics quit UK universities – either for abroad or for non-academic jobs – career paths for younger academics are blocked. In an unusual burst of glasnost from within the universities, Mr Jonathan Clark, a historian at All Souls, Oxford, recently pointed to an additional frustration for younger academics like himself: many of the academics in their 40s and early 50s now blocking promotion were appointed during the great influx in the 1960s when only modest ability was needed to secure a university post.

Two new worries have begun to grip the universities. First, there is a fear that many of the brightest students now shun an academic career for better paid jobs elsewhere. "In far too many departments, a lot of the applicants for lecturing jobs nowadays have failed at something else," says Sir Edward Parkes, vice-chancellor of Leeds University.

Hard evidence is difficult to obtain for this claim, which sits oddly with the other argument about there being a dearth of jobs in the universities. In September, the vice-chancellors' committee released a survey which it said constituted the "latest evidence of (the) university staffing crisis." In fact, the survey detected an increase last year in the average number of applicants and people shortlisted for each category of academic job – professor, senior lecturer and lecturer. In a tightening UK labour market, this hardly counts as evidence for a "staffing crisis."

Nevertheless, when a 30-year old City economist can earn twice as much as a Cambridge professor (ignoring the professor's consultancy earnings, which in some subjects can be considerable), it is only common sense to expect a decline in the attractiveness of university careers among the ablest young people. The second new source of worry among the universities is that superimposed on this long-term trend will be a much more sustained drain of academic talent from Britain to the US in the 1990s.

One of the most comprehensive studies ever into the academic job market in the US, published this September, warned of severe staff shortages in North American universities in the 1990s because of demographic factors. Mr William Bowen, the report's co-author and a former president of Princeton University, believes the US will have to double its output of PhDs in the humanities and social sciences, and increase by two-thirds PhD numbers in the sciences.

"There is going to be a severe shortfall in North America of people to staff their universities," comments Sir Edward Parkes at Leeds. "The presidents of American universities are very clear how they will make up that shortfall – from British and Commonwealth universities."

The picture that emerges is a complex one. There is no great flight by established British academics either abroad or to jobs outside the university sector. The very stability of the academic workforce may even have contributed to the inward-looking culture and lack of dynamism of some departments. Yet the outflow of a few stars and many more younger academics is a problem. Part of the solution lies in lifting the Government's financial squeeze on higher education. But the solution also lies in injecting a degree of flexibility into university pay and staffing practices which is anathema to many academics.

Hunt's last stand

■ "It was like the old Coliseum in Rome, except that the spectators were somewhat embarrassed by the glee they felt."

Herbert Deutsch of New York law firm, Deutsch & Frey, was in federal court in Dallas last Friday as the bankruptcy case of Nelson Bunker Hunt, the legendary oil man, concluded.

In terms of commercial litigation, it was a victory for Deutsch who secured another $13m for the 5,000 or so investors claiming compensation for losses incurred in the silver market because of manipulation by the Hunt brothers. Litigation and back tax claims forced the Hunt brothers to file for bankruptcy in September, 1988.

In human terms, however, there was no pleasure to be had in seeing the mighty fallen. "We have seen the demise of a man who had such great wealth that the mere mention of his name struck fear in people's hearts. He is now just a humbled bankrupt, a pathetic old man. There is no joy in that."

Perhaps the saddest personal moment was when Hunt listened with his wife, Caroline, as Houston Bunker Hunt, his son, was put in the witness stand to tell the court which of his father's property assets were available to meet creditors' demands.

Nelson Bunker Hunt was considered the richest man in the world in the 1960s with an estimated fortune of $16bn. On Friday, the federal judge in Dallas ordered him to hand over most of his remaining assets to a liquidating trustee. He is left with a $1.8m mansion in Dallas, perhaps $50,000 in personal possessions, a Cadillac and a 50 per cent interest in some non-producing oil and gas properties.

He will also be allowed to auction off a valuable rare coin collection and keep a proportion of the proceeds.

OBSERVER

Late 1990

■ New Year's Eve will be slightly late this year. The Royal Greenwich Observatory said yesterday that time services around the world will be adjusted backwards by one second just before midnight GMT on December 31. Otherwise, man-measured time would get further out of step with the earth's rotation.

The process is known as the "leap second", rather like the extra day in a leap year. This will be the 15th leap second since the device was adopted in 1972.

Noble gesture

■ Bernard Weatherill, the Speaker of the Commons, has decided not to take his full salary increase, despite being so much more in the public eye than Speakers used to be.

When Parliamentary salaries go up on January 1, Weatherill will be entitled to a 4.77 per cent increase, taking him to £56,951 a year. Like Mrs Margaret Thatcher, the Prime Minister, however, he has chosen to limit himself to the same payment as a Cabinet Minister in the Commons. Including a Parliamentary salary of £20,101, that will leave him with £55,221.

In the distant past, the Speaker was regarded as the Monarch's "spy", and did not pay income tax. Weatherill has no such dispensation.

Foggitt's cat

■ Bill Foggitt's black cat successfully forecast the weekend storm which ravaged Britain's coastline. "It jumped around and behaved strangely, just as it did before the hurricane of 1987," said the 76-year-old Thirsk weather sage.

His barometer read 28.30 ins

"Kenneth Clarke hasn't been a very good boy this year, has he?"

at midday on Sunday, the lowest he has recorded in 22 years of taking readings. He was away at a local preachers' conference on the day of the 1987 storm so did not take a reading, although his neighbour insists that the glass fell lower on that day.

The weekend rain was welcomed by the farmers. "I had a few extra pints in the Three Tuns on Saturday," said Foggitt. "Up to then the farmers had been moaning continually about the shortage of rain. We are still nearly seven inches below average for the year."

The average is just above 19 ins so far this year, by no means the lowest this century. The driest was 1921 when 15.45 ins fell in Thirsk.

His only weather rhyme for this month is "chill December brings the sleet, blazing hearth and Christmas treat" which he dismisses as romantic nonsense since it was written by Mary Shelley who wrote the Frankenstein story. "I don't think she knew much about the weather," said Foggitt.

Foggitt is becoming cagey about forecasting a white Christmas because the odds are against it. "We had snow on Christmas Day in 1981 and it usually happens only once a decade," he said.

Ghost trains

■ Ghosts are appearing on the London Underground. One of the latest sightings is of Sir Winston Churchill, spotted by a guard on the platform at Queensway station dressed in top hat, black suit and spats.

Churchill was not smoking, possibly in deference to the Underground's no smoking rule, the guard said.

There have been other cases, according to the Underground's staff magazine, Tubeline. The magazine was responding to an appeal for spooky stories from Belinda Betts, senior assistant curator of the London Transport Museum.

Betts says that she can find no connection between Churchill and Queensway. But she notes that another guard reports ghost sightings at four stations over more than a decade, including hearing screaming at Hangar Lane and feeling a ghostly hand around his neck at Bethnal Green.

It is not clear whether these were the ghosts of passengers still waiting for trains to arrive.

Ahead of time

■ Some Christmas cracker jokes in advance.

How do you get down from an elephant? You don't; you get down from a duck.

Did you hear about the cross-eyed teacher? He had trouble controlling his pupils – found in five crackers of a box of 10 last Christmas.

When do ducks get up? At the quack of dawn.

Did you hear about the Irish turkey that was looking forward to Christmas?

What's the fastest cake in the world? S'gone.

FOREIGN AFFAIRS

East-West to North-South

Edward Mortimer sees the next decade as reviving some themes of the 1970s

This will be the last Foreign Affairs column of the Eighties. No pedant is going to convince me that 1990 does not belong to the Nineties.

Does it matter? A decade is an arbitrary slice of time, which human beings treat as a unit only because they themselves happen to have ten fingers. Yet human beings can be influenced by their own arbitrary labelling of time. The very fact of being in a new decade makes people feel different, which may in turn make them act differently.

In international affairs, the Seventies were marked by the prominence of "North-South" issues, while East-West tension gave way to détente. Western industrialised countries felt more threatened by the rise in the oil price than by Soviet power. Third World governments found their borrowing and bargaining power increased, and entertained hopes of a "New International Economic Order."

The Eighties saw a marked reversal of these trends. The Soviet invasion of Afghanistan, in the very last days of the Seventies, strengthened a growing Western apprehension that détente served only as a cloak for new Soviet advances. Within a year Ronald Reagan was elected President of the US, promising to restore America's lead in the global arms race. By the end of 1981 Poland was under martial law. The Second Cold War had arrived. In 1982 there followed the eruption of the "debt crisis." Although this was seen as a potential threat to the stability of the Western financial system, its real significance was the collapse of Third World hopes for development. After 1980, oil prices stabilised, and in 1986 they fell dramatically. Other raw materials have followed oil more closely on the way down than on the way up. This would not have mattered if Third World countries had successfully industrialised, but only a few of them did. The bulk of the Third World, having nothing to offer investors which could offset or compete with the interest rates Mr Reagan was prepared to pay to finance his arms build-up, simply ceased to be attractive to Western capital. In a grotesque inversion of all rational economics, the poorer two-thirds of the world has steadily reduced its living standards in order to transfer resources to the richer one-third.

It is perhaps not surprising that we in the North, while shedding crocodile tears over this phenomenon from time to time, have bothered less and less about the Third World as the decade passed, becoming more and more absorbed with the affairs of our own hemisphere. For in these parts the second half of the decade has seen unfold a truly-astonishing drama: not the End of History (as one bold American think-tanker has named it), nor yet the much-predicted End of Civilisation-as-we-know-it; but indeed the End of Communism-as-we-knew-it, and perhaps even the end of "communism" as a name anyone will think worth using for a utopia that we know not yet.

It is natural that at such a moment we dwell on communism's spectacular and tragic failures. But let me here risk one very unfashionable remark: Soviet communism has also been the victim of its own success. Perhaps Russia would have progressed faster, economically and educationally, if in 1917 it had adopted some other system; that we can never know for sure. Certainly few other systems could have exacted such a terrible price for what they did achieve. But this barbaric system was one that could be imposed on a backward, predominantly rural country, in conditions of international and then civil war. Even after 1945 the Soviet peoples were still helpless against it. But between 1945 and 1985 it did somehow produce a highly educated élite, comprising (it now seems) at least some millions of people, who took a minimum of civil and international peace for granted, and judged their own country by the highest international standards, not only of military technology but of civilisation in the broader sense. They judged it, and found it wanting. That élite gradually found its voice as the repression deployed to keep it in line softened, from the extremes of barbarism under Stalin to the still disgusting but limited unpleasantness of Brezhnev. The foremost member and shining symbol of it was, of course, Andrei Sakharov. A career like his would have been unthinkable in Stalin's time.

Eastern Europe: the end of the ideological challenge

Communism was an attempt at an historical short cut, adopted by relatively small groups of intellectuals and class-conscious workers in countries in the early stages of industrialisation. A fully-formed industrial working class tends to prefer some form of social democracy, while the atomised "post-Fordist" workers of today – when strictly industrial jobs require a high level of education, and relatively unskilled jobs are to be found mainly in the service sector – may turn out not to be interested in socialism of any sort.

What will be at stake is the precise location of the frontier between global Haves and Have-nots

That leads me to doubt whether East-West issues will dominate the Nineties as they have the Eighties. It seems unlikely that we shall again confront a unified Eastern Bloc propagating an ideology radically opposed to liberal capitalism. What we may face is a dangerously unstable situation in the former Soviet empire, with nationalist grievances feeding on economic hardship. That is to be feared in east-central Europe, perhaps even to be expected in the Soviet Union proper. But what will be at stake is not the existence of a superpower or a system aspiring to world domination, but the precise location of the frontier between global Haves and Have-Nots. *The Nineties, I predict,* will be a decade dominated to an even greater extent than the Seventies by North-South issues, but the more the present East is integrated into the North, the better will be the chance of managing those issues.

That thought came to me during a recent seminar at the Foreign Office on "*the new UN agenda,*" which was summarised under four headings: narcotics, environment, terrorism and refugees. One participant remarked that we seemed to be treating the UN as a mechanism for "riot control": all four issues were presented as a threat to Northern comfort and prosperity emanating from the South. Drugs, terrorists and refugees (sorry, "economic migrants") are all seen as undesirable Southern exports against which the North has to be protected; and even the global environment is seen as requiring protection against the propensity of Southerners to burn down their rain forests, or simply to produce pollutants and consume non-renewable resources on an unsustainable scale by following the Western model of industrialisation.

Two other issues could be added: the proliferation of nuclear and chemical weapons and of missile technology, which is a matter of preventing sophisticated Northern weapons from getting into irresponsible Southern hands; and the population explosion, which aggravates all the environmental problems and makes the problem of refugees/migrants seem far more threatening than it otherwise would.

On all those issues it will be easy for Southern spokesmen to argue that this presentation is profoundly racist, and to shift the blame back on to the North's own selfishness. The North long ago destroyed its own deciduous forests, and has already achieved industrial pollution on a scale the South can only dream about. The North provides the demand for narcotics, while restricting its imports of many other Third World products. The North not only supplies the technology of terrorism, as well as weapons of mass destruction, but also has contributed, through the legacy of colonialism, to many of the conflicts in which they are or might be used.

Third World populations are the main victims of all these phenomena. Even their galloping demography is a consequence as well as a contributory factor of their economic plight, thwarting every attempt at a solution. Is it surprising that increasing numbers of Southerners seek to migrate to the North, that temperate El Dorado where alone, it seems, prosperity and relative security are attainable? Or that a desperate few seek, through terrorism, to wreak vengeance on those they hold responsible for their fate, or to grab the attention of those they believe capable of doing something about it?

To escape from that dialogue of fear and recrimination, and to replace it with a constructive search for solutions that offer hope to Have-nots as well as reassurance to Haves, is the challenge the world faces in the last decade of the second millennium.

Airline deregulation

Making the EC's new plan effective

By Matthew Bishop and Mike Cronshaw

The news that the European Council of Ministers has agreed to a major deregulation of the European airline industry has raised hopes among the public of cheaper fares and better services. A London Business School study* shows that prices stand to fall by well over 20 per cent on some routes. However, this potential may not be realised unless further measures are taken.

At present, on most international flights in Europe, passengers have to choose between the national carriers of the countries at either end of a route, and must pay prices that are approved by the governments of both countries.

From January 1 1993, governments will no longer be able to guarantee national carriers a fixed percentage of capacity on a route. *The ability of one government to veto price changes* will end; future price changes will only be blocked if both governments disapprove. And governments have agreed not to discriminate against airlines as long as they meet certain technical and safety standards, and are able to operate economically.

There was no agreement, however, to "multilateral deregulation." This would enable airlines from one EC country to compete on routes between two others – allowing Air France, for example, to fly between London and Amsterdam. Without this step, competitive pressures will certainly be less intense.

The potential benefits of liberalisation are illustrated by what has happened on routes on which the UK has achieved some early steps towards deregulation. The London Business School study shows that on routes where liberalisation has been followed by new entry, prices have fallen sharply.

Until 1986 the London-Dublin route was a traditional regulated duopoly shared between British Airways and Aer Lingus. Then the Irish airline Ryanair began flights between Dublin and Luton and a year later Virgin Atlantic followed Ryanair's example. By mid-1987 the two new entrants shared 25 per cent of route capacity.

This story has been replicated on other deregulated routes, with entry leading to prices for leisure travellers falling by an average of 20 per cent. Business fares have also fallen slightly. At the same time, flight frequencies have increased substantially.

However, on some deregulated routes there has been little new entry – for example London to Brussels. Here, prices and frequencies have hardly changed.

The explanation is that the routes where entry has not happened are dominated by business travellers, who look for frequent reliable services rather than low fares. This makes life difficult for potential entrants, who lack an established product reputation and rely on lower prices for their competitive advantage.

What are the implications of these findings for the industry after the 1993 deregulation? First, the effects already observed on deregulated European routes will be extended to routes at present governed by traditional regulation – such as London to Paris, Europe's busiest scheduled air route. Fares can be expected to fall and service frequencies rise on most of these routes, although there will be less room for fare reductions on routes which are already made competitive by charter operators, and fares for business travellers may not be greatly affected.

Second, there is potential for a strengthening of the effects already observed. But this will only be realised if multilateral deregulation is introduced. The London Business School study shows that on routes dominated by business traffic, new entrants have found it difficult to compete effectively with the established airlines after deregulation. Multilateral deregulation could solve this problem by allowing each of the Community's large established airlines to compete on any route. The attitude of EC transport ministers to this issue will be a test of their commitment to a single market in aviation.

There is one other threat: the danger that the market will be dominated by a few large airlines. In the five years after deregulation in the US, the average fare fell by 20 per cent in real terms. However, a recent spate of mergers has left the top eight operators with 92 per cent of the market. Observers are concerned that airlines have been able to obstruct entry, allowing fares to rise rapidly. A congressional study found that in 1988 the average fare in a sample of one-airline-dominated airports was 27 per cent higher than at airports where no airline dominated.

European airlines are currently prevented from merging across national boundaries by domestic laws but they have anticipated deregulation by forming alliances, usually through the purchase of non-controlling stakes. For example, only last week British Airways and KLM announced they had each purchased a 20 per cent stake in Sabena of Belgium. *These link-ups will lead* to greater efficiency. But the emergence of anti-competitive behaviour after a first flurry of post-deregulation activity cannot be ruled out. The European Commission's Competition Directorate needs to watch developments closely, and act accordingly.

This danger may be worsened by the present overcrowding of Europe's runways and airspace. Capacity constraints may prevent the entry necessary to create competition; the current system of "grandfather rights" over airport slots and gates gives enormous advantages to the incumbent national carriers. Community Transport Ministers should agree to a market-based approach to allocating airport gates and slots.

In sum, the potential benefits from the liberalisation of European aviation are substantial. They will not be fully realised, however, unless multilateral deregulation is implemented and a few simple measures are taken to limit the scope for anti-competitive behaviour.

The authors are economists at London Business School Centre for Business Strategy

** Deregulating European Aviation: the impact of bilateral liberalisation, Kim Abbott and David Thompson, Centre for Business Strategy Working Paper, LBS, June 1989*

LETTERS

Loans for students

From Mr L.J. Bufton.

Sir, Your editorial "Flawed plan for student loans" (December 11) suggests that present proposals will have disincentive effects which could be socially divisive and damaging to the objective of financing a larger student population from a given higher education budget.

In the early 1980s universities had to cope with financial cut-backs in central government funding at very short-notice. One effect of this was to deny university education to a significant number of young people, since the cuts coincided with a peak in the proportion of 18-year-olds in the population.

The early 1990s will see the proportion of 18-year-olds in *sharp decline, particularly* in the bottom two socio-economic classes. Some readers may be puzzled that policies can be introduced at one end of the decade which jeopardised the chances of 18-year-olds entering university when their numbers were at their peak and which could prejudice their motivation at the other end of the decade when their numbers are at their lowest.

L.J. Bufton,
50 Kelmscott Road,
Birmingham

Turkey and EC membership

From Mr Osman Streater.

Sir, You report (December 18) that in view of Turkey's poverty, population and its traditions which differ from those of the EC, the Commission was expected to give its application for EC membership "a polite but firm brush-off."

The more civilised course was laid down by Roger Williams in his Letter to the Town of Providence in 1655, when he wrote:. "There goes many a ship to sea, with many hundred souls in one ship, whose weal and woe is common, and is a true picture of a commonwealth or a human combination of society. It hath fallen out sometimes that both Papists and Protestants, Jews and Turks may be embarked in one ship; upon which supposal I affirm that all the liberty of conscience that ever I pleaded for turns upon these two hinges – that none of the Papists, Protestants, Jews or Turks be forced to come to the ship's prayer or worship, nor compelled from their own particular prayers or worship, if they practice any."

1992 is the 500th anniversary of the Jews' expulsion from Spain – and of their being invited to settle in his lands by the Turkish Sultan.

Osman Streater,
Savile Club,
69 Brook Street, W1

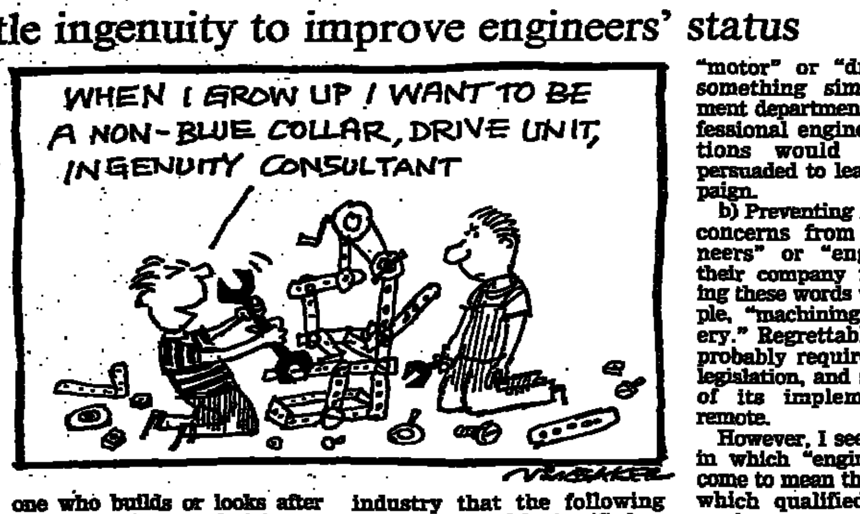
Time to use a little ingenuity to improve engineers' status

From Mr Howard Densley.

Sir, Like Max Wilkinson writing on the unsatisfactory treatment of young engineers (Lombard, December 11), I too presented myself some 30 years ago at the gates of a major British electrical company (English Electric, Stafford) and now share his views.

I am convinced that progress can only be made by enhancing the status of professional engineers. To me this means breaking the association in the public mind between engineers, and both engines (noisy, smelly, dirty) and engineering workers (considered to be "blue collar").

This association seems not to exist on the Continent. The French word for engineer is *ingénieur*, which suggests ingenuity or cleverness. Engines are *moteurs* or *machines*. Someone who builds or looks after an engine is a *technicien* or *mécanicien*.



I consider this is so important to the future of British industry that the following measures would be justified:

a) Rendering the word "engine" obsolete in our language by replacing it with "motor" or "drive unit" or something similar. Government departments and the professional engineering institutions would have to be persuaded to lead such a campaign.

b) Preventing manufacturing concerns from using "engineers" or "engineering" in their company names, replacing these words with, for example, "machining" or "machinery." Regrettably, this would probably require Government legislation, and so the chances of its implementation are remote.

However, I see no other way in which "engineering" could come to mean the profession in which qualified professional engineers are engaged, and nothing else.

Howard Densley,
7 Heronsforde, W13

International Paper's competitiveness

From Mr W.I. Greener.

Sir, I take issue with the article about International Paper headed "Dark side of the enchanted forest" published in the Financial Times on November 27.

The article states that International Paper has "no friends on Wall Street." According to Statistical Tracking of Analysts' Recommendations (STAR report) published by Research Magazine, International Paper has received more "buy" recommendations each month for the past year than any other forest products company.

Reconfiguration of our mill in Georgetown, South Carolina, is said to have been "bungled." The Georgetown mill was converted from a linerboard mill to a white papers and pulp mill. Since this project was completed, it has been one of the most efficient, most productive paper mills in the US.

The statement that International Paper was the "laughing stock of the world paper industry" is patently absurd. Throughout its history, International Paper has always been a competitor to be reckoned with in the paper industry. Otherwise, we could not have become the largest paper company in the world.

Granted, our current stock price of about $50 per share is lower than we would like, placing us in a position similar to that of many companies in today's market place. We believe our stock price will improve over time. The outlook would be far different if investments had not been made to strengthen International Paper's position as a global competitor.

W.I. Greener,
Staff Vice-President
and Director,
Corporate Communications &
State Affairs,
International Paper,
2 Manhattanville Road,
Purchase, New York,
USA

Water level

From Mr E.C.S. Balfry.

Sir, The media are now trumpeting up and down the country the success of water privatisation. Yet, none of them has explained why the market in water shares opened before the much-wooed private investor received his allotment letter; nor why he is precluded from dealing at the outset of the market's opening.

Why can the private investor not enjoy a level playing field with the institutions and market makers? Who dealt on the first day, and on what basis?

E.C.S. Balfry,
1 Broadfern Road,
Knowle,
Solihull

FINANCIAL TIMES
Tuesday December 19 1989

BRAZILIAN PRESIDENTIAL ELECTIONS

Collor's clear lead lifts markets

By Ivo Dawnay in Rio de Janeiro

MR Fernando Collor de Mello, the centre-right candidate in Brazil's presidential race, last night appeared assured of a comfortable victory over his socialist opponent, Mr Luis Inacio Lula da Silva.

With 86 per cent of the 82m votes from Sunday's ballot counted, the Globo television network gave the 40-year-old state governor a lead of 3m votes over his rival – a one-time trade union militant.

As the results came in, financial markets reacted with exuberance. By midday, Sao Paulo's Bovespa index had leapt by 8.7 per cent to 5,146 points. Gold and the black market dollar exchange rates tumbled with the latter dropping from 22 New Cruzados to NCz19 ($2.72) in early trading. Commentators said that the 4.9 per cent gap in favour of Mr Collor was expected to widen in remoter regions.

Official figures published by the Supreme Electoral Tribunal confirmed the trend, predicted by exit polls, with Mr Collor moving into the lead with 31 per cent of ballots in. The final result, not expected until Thursday, is set to exceed eve-of-poll forecast which gave Mr Collor a narrower margin of victory.

The outcome is certain to come as a considerable relief to business interests both at home and abroad and a massive disappointment to those who have argued that Mr Collor represents Brazil's old oligarchy in new clothes.

In the closing days of the campaign, Lula – as the Workers' Party (PT) candidate is known – had surged strongly, closing a 13 percentage point gap in the polls to promise victory by up to 4 per cent.

Last week, fears of a Lula presidency, until then discounted by the financial community, sent the dollar to a 145 per cent premium over official exchange rates.

Mr Collor had campaigned on promises of a radical liberalisation of the Brazilian economy with reduced protectionism, more foreign investment, privatisation and sharp cuts in subsidies, tax incentives and other government spending.

By contrast, Lula had argued for corporatist prescriptions to solve Brazil's economic crisis including a partial moratorium on the internal debt to ease inflation now nearing 50 per cent a month.

Mr Collor, who will succeed outgoing President Jose Sarney on March 15, is seeking to renegotiate with foreign commercial banks on their $65bn parcel of the country's total $109bn overseas debts. Brazil's is already, in effect, in moratorium having failed to make a scheduled $2.1bn interest payment in September.

Profile, Page 3; Editorial Comment, Page 12

Rolls-Royce and Snecma sign pact on jet projects

By Paul Betts, Aerospace Correspondent, in London

ROLLS-ROYCE of Britain and Snecma of France, Concorde's engine manufacturers, signed a new co-operation agreement yesterday which could lead to a second generation supersonic engine programme.

The agreement will involve a two-year programme to identify realistic new supersonic transport (SST) projects. It is expected to be followed by other agreements to develop eventually a new SST engine.

Rolls-Royce and the French state-owned aero-engine group will carry out a market survey with potential customers, identify feasible engine concepts as well as key technologies and additional test facilities for joint investment.

The agreement signed in Paris follows several months of discussions between the two companies and coincides with renewed interest in the development of new supersonic passenger jets on both sides of the Atlantic as well as in Japan and the Soviet Union.

Japan has recently decided to fund a major programme in supersonic and other high-speed propulsion systems and has invited foreign engine makers to participate.

Rolls-Royce and Snecma have expressed interest in the Japanese programme, which under their new agreement, would become a joint activity.

Rolls-Royce has also had discussions with the Soviet Union over the development of an engine for the proposed supersonic business jet which Gulfstream of the US and Sukhoi, the Soviet company, are now jointly studying.

Rolls-Royce, however, said the proposed US-Soviet jet could be the forerunner of a larger passenger aircraft.

Snecma has also recently had talks on supersonic engines with the Soviet Union. Rolls-Royce said these various discussions could also become a joint activity.

Rolls-Royce and Snecma have cooperated on the Olympus 593 engine for Concorde since 1962.

Airframe manufacturers have also been showing increasing interest in a new generation of supersonic aircraft for the next century.

In New York last week, Mr Jean Pierson, chief executive of the European Airbus consortium, argued for a single international co-operation programme to develop a new supersonic aircraft.

He claimed this was not a utopian dream. "I have nothing against the idea of an international consortium based in the US that would bring partners from Europe, the US, the Far East to co-ordinate, manage, market, support, assemble and deliver such an aircraft," he told the New York Wing's Club.

He warned, however, that such a consortium could only work if it was a true partnership of equals. If one partner sought to rule, Mr Pierson said there would be no doubt that Europe, through Airbus Industrie, would go it alone.

Yelena Bonner, Andrei Sakharov's widow, places a bouquet of flowers beside her husband before his burial in Moscow yesterday. Service becomes rally, Page 2

Britain reorganises department for export credit guarantees

By Peter Montagnon, World Trade Editor, in London

THE BRITISH Government's Export Credits Guarantee Department is to be split into two with the aim of privatising its profitable insurance services group which specialises in short-term export credit insurance.

The decision, announced yesterday by Mr Nicholas Ridley, Secretary of State for Trade and Industry, is the most far-reaching reorganisation in the department's 70-year history. The changes are broadly in line with the recommendations of last summer's report on the department's future drawn up by Mr Robert Kemp, a former ECGD official.

Mr Ridley said the privatisation of the insurance services group, based in Cardiff, Wales, would "enable ECGD to take advantage of the opportunities offered by 1992 and to meet the increased competition that will arise." Speed was essential because of expectations that the European Community would move to ban state-owned credit insurers from operating inside its boundaries once the single market was established.

The Government will shortly introduce legislation which will allow the Cardiff group to be re-established as a fully state-owned company by April 1991. Private capital should be introduced "quickly" thereafter, he said in a written statement to the House of Commons.

The statement included a reprieve for ECGD's loss-making project group which provides medium-term insurance for capital goods exports and has been under threat of closure following criticism of its financial performance by the Treasury.

The project group would remain. It would be reviewed to see whether it should be a department of government or a more market-orientated agency, but its premiums would have to rise, especially in higher risk markets, he said.

As a further concession negotiated from the Treasury, Cardiff would be allowed to reinsure "political risks" with Government for three years after privatisation, although thereafter it would be on its own. Political risk is that which arises through non-payment as a result of government action rather than commercial bankruptcy.

Exporters have long accepted the need for Cardiff, which is heavily dependent on European business, to be granted the independence it needs to operate internationally after 1992.

Their initial relief at the project group's reprieve was, however, tempered by concern over the prospects of higher premiums.

However, Mr Ridley told reporters that the premium increases would not involve overkill. "We do very much want to make (the project group) a viable concern even though it is staying in the public sector," he said.

No decision had yet been taken on how Cardiff would be privatised, but it would almost certainly be a "trade sale" rather than a stock market flotation. There would be no objection to foreign bidders.

Turkish bid rebuffed

Continued from Page 1

finish its own single market project and to take the first steps towards monetary union before contemplating any increase in the number of member states.

But in its opinion, relayed yesterday to Ankara and to the EC's 12 governments, the Commission also said that Turkey's treatment of workers, citizens, and minority rights still fell short of accepted Community political standards, while its relative poverty and large population – containing as many farm workers as exist in all 12 EC states together – would overburden Community resources. In addition, the Commission said "it could not overlook the negative effects" of the disputes between Turkey and one EC state, Greece, as well as the lack of progress in overcoming the division of Cyprus.

Mr Abel Matutes, the Spanish commissioner responsible for Mediterranean policy, told a press conference: "We don't think therefore that it will be possible to begin negotiations – which does not in any way cast in doubt the basic eligibility for Turkey to become one day a Community member or on our readiness to help Turkey to make progress and come closer to us."

Mr Matutes's public remarks were more conciliatory in tone than the Commission opinion itself or much of the debate on Turkey among the 17 commissioners which lasted until 1 am yesterday. Some commissioners, not only Ms Vasso Papandreou, the Greek Commissioner, apparently queried whether Turkey really belonged in Europe, although Mr Matutes said that Brussels had never examined the issue of Turkey's predominant Moslem religion in preparing its view on the country's membership bid.

The Commission opinion recommended that the Community should not even consider enlarging its number before 1993 at the earliest, barring exceptional circumstances. Mr Matutes would not elaborate on such circumstances, but the let-out presumably refers to possible reunification between the two Germanys. However, yesterday's opinion on Turkey is likely to give pause to Cyprus and Malta which have been weighing whether to lodge EC membership applications with Brussels. Mr Matutes is preparing new policy initiatives towards Mediterranean countries, although he said yesterday this was not, of itself, aimed at flashing "a red light" at other membership attempts.

To soften the blow on Ankara, Mr Matutes yesterday stressed the Commission's desire to exploit to the full Turkey's 1963 treaty of association which, uniquely among such agreements, envisaged the possibility of full membership. He expressed the Commission's desire to "get through the logjam" created by Greece blocking Ecu600m ($660m) of Community aid to Turkey for the past eight years.

Japanese shrug off Recruit scandal

By Ian Rodger in Tokyo

THE Recruit bribery scandal shook Japanese political and business systems to their foundations and the principal figures involved appeared daily in the headlines just a few months ago.

But predictions that the scandal would lead to wholesale reform of corrupt fund-raising practices in Japanese politics appear to have been optimistic. The popularity of the ruling Liberal Democratic Party with the voters has recovered, although prime ministerial promises to put political reform at the top of the agenda at the beginning of the last two sessions of parliament failed to introduce any legislation at either.

Last week, the principal figures in the Recruit scandal came back into the public view as the trials of the accused finally got under way in a Tokyo court. Political strategists held their breath worrying about the impact the trials might have in the run-up to the general election expected in February.

They need not have bothered. There were no startling new revelations and the Recruit defendants seemed, at first appearance anyway, little more than objects of curiosity, rather like faded stars from an old television soap opera.

There was Mr Hisashi Shinto, the 79-year-old former chairman of Nippon Telegraph and Telephone, the biggest company in the land, accused of taking a Y21.8m ($151,000) bribe in the form of pre-flotation Recruit Cosmos shares for helping Recruit get into the data communications business, but still trying to maintain a sense of dignity despite his age and the circumstances.

Then came Mr Takao Fujinami, the haughty looking chief cabinet secretary in the Administration of Mr Yasuhiro Nakasone, the former Prime Minister, categorically denying taking a bribe from Recruit in exchange for prolonging a deal that enabled Recruit's employment publications to thrive.

And finally Mr Hiromasa Ezoe, the former Recruit chairman whose largesse with his quickly amassed fortune started it all, still looking a thin strip of a bobby dazzler but with a harrowing tale of tortuous interrogation by scandal investigators to tell. "I was about to go mad," Mr Ezoe told a hushed Tokyo court on Friday.

Predictably, the defendants have all pleaded innocent and their trials are expected to be long and tedious – with one exception. Mr Shinto, who until a year ago was one of the most respected senior businessmen in Japan, has apparently decided he wants a quick trial so he can get on with what remains of his life. Despite his disgrace, the god of management, as he was once known, has been in demand as a consultant both inside and outside Japan and he still plays golf several times a month.

In court on Wednesday, he calmly admitted most of the charges against him. Yes, he had received 10,000 shares of Recruit Cosmos. Yes, he knew that the shares were certain to rise sharply in value after their flotation on the over-the-counter market. But no, this did not constitute bribery and he had not used his position within NTT to do any special business favours for the Recruit group.

Mr Shinto argued that offers of shares in a company are common business practice and receipt of an offer is a sign of trust and a request for long-term relations.

Mr Shinto's defence means that the Recruit scandal will probably have a lasting impact on at least one aspect of Japanese public life. The court will have to decide whether or not the widespread practice of lavish reciprocal gift-giving between supplier and client companies is incompatible with laws restricting bribery.

THE LEX COLUMN

A French toe in English water

The French had been expected to pick up stock in the privatised water companies, but Lyonnaise des Eaux wasted no time. The heavy turnover on the first day of dealings was evidently too good an opportunity to miss; it would not be a surprise if Générale, Lyonnaise's rival, had also been in the market. This is good news for the small shareholder, who might otherwise have seen the premium drift away; the package unit was up another 7 per cent yesterday for old-fashioned speculative reasons.

An immediate bid, however, is highly unlikely. Despite Mr Ridley's recent remarks on golden shares, it would take considerable nerve for the Government to abandon a water company to a bidder ahead of an election. Its longer term attitude could emerge from the January outcome of the MMC's inquiry into the Three Valleys merger of statutory companies, involving both SAUR and Générale.

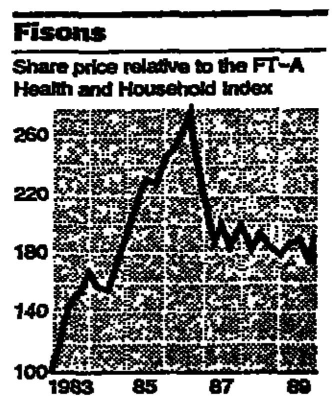
Lyonnaise, which has so far invested nearly £300m in UK water companies, is evidently playing for the long term. The golden shares only last five years; and with the partly paid yields on Lyonnaise's three stakes ranging between 12.5 and 14 per cent, there is no worry about carrying cost. Lyonnaise already owns the East Anglian and Essex statutory water companies, so collaboration with Anglian or even an assets swap are obvious possibilities. And in the case of Wessex, Lyonnaise may have gained a seat at the table if Générale, which has interests in the area, makes a move. There are risks for the French in a Labour election victory, but a large European holding could also limit Labour's room for manoeuvre.

Berisford

On the basis of yesterday's annual figures, only the most headstrong predator would seize upon Mr Ephraim Margulies's departure from the helm as a cue to take a run at Berisford International. True, British Sugar is still there, throwing off somewhere over £125m in cash each year; the £13m it wrote off in 1989 to shut one of its 13 UK sugar beet factories and shed 1,100 jobs was an indicator of how much can be squeezed out of that business. Nor can the share register continue in its present unstable state for ever, with ABF at nearly 24 per cent and Mr Larry Goodman at nearly 12 per cent.

The hitch lies with Berisford's £100m miscellany of below-the-line losses, ranging from four New York office blocks to the £31m cost of cleaning up a small jewellery subsidiary. To have a net £99.9m of extraordinary losses looks bad enough when set against Berisford's after-tax profits of only £77m. But while Berisford and its auditors have doubtless done the best job they can, any outsider is also bound to wonder what other problems could lurk in the undergrowth. That is before one even glances at Berisford's £600m-plus of debt.

Just as factors like these suggest a bid is some way off, helping explain yesterday's 6 per cent drop in the share price to 144p, they make the job of assessing Berisford's fundamentals almost insurmountable. British Sugar will steam slowly ahead; but pretty much everything else depends on how long it will take Berisford to get on with the self-imposed task of unwinding its miscellany of property, financial services and commodities trading businesses.



Fisons

The reluctance of the UK corporate sector to issue equity at present looks all the odder given the market's reception of the £211m Fisons rights issue. Despite this being Fisons' second cash call in just over a year, the shares have fallen only 4 per cent since the news leaked last Friday. This is the more remarkable in that Fisons, with a multiple of 15.5 times current year earnings, proposes to pay 21.6 times for a company whose earnings this year will be the same as they were in 1986.

According to Fisons, no dilution will be involved; like Pennwalt, acquired last year, VG Instruments will pay very little tax under Fisons' management. What this means for the quality of earnings is open to question. So is the basic strategy of what the market sees as a pharmaceutical company ending up with 72 per cent of its sales and a third of its profits in scientific instrument making.

Both bits, says Fisons, should grow at a similar rate in the 1990s; the world market for instruments, like that for drugs, is apparently growing by between six and eight per cent a year. Whether the market assumes such a modest rate of growth for Fisons' pharmaceutical division is unclear. The prospects for Tilade, the group's one big new drug, are hotly debated. The more modest the outlook, the more sensible it is for Fisons to take up a position as number four in the world market for scientific instruments; the more questionable, too, its drug industry rating.

UK Paper

Fletcher Challenge's £299m counter-bid for UK paper is good news for the stock market. Only a couple of months ago, investors were only too happy to hand over DRG to Pembridge at less than 12 times historic earnings. Now a company from the other side of the world offers to pay close to 30 times fully taxed earnings for another UK paper company with a more doubtful long-term future than DRG. It is one thing for companies like Ford and Deutsche Bank to pay fancy prices for strategic UK acquisitions; but when this sort of thinking permeates the lower levels of the corporate jungle confidence must surely be picking up again.

In terms of industrial logic there is not a lot to choose between Metsä-Serla, the Finnish company which started the bidding, and Fletcher Challenge. Both companies need to diversify and would bring similar sorts of benefit to UK Paper. Fletcher Challenge has the advantage of being considerably bigger, has already bought a substantial chunk of the equity and has persuaded the management to switch sides.

But at 375p, the price now being put on UK Paper has far more to do with the value attached to longer-term strategic objectives than anything else; and it is impossible to put a value on the Finns' desire to establish a UK foothold. By insisting that their first offer is final, the New Zealanders have given the Finns the opportunity to capture UK Paper by offering another 15p or so.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	19	66	Dubrovnik	F	17	63	Malta	S	22	72	Rhodes	S	20	68
Algiers	C	27	81	Edinburgh	S	5	41	Manchester	C	4	39	Rio de J'o	C	32	90
Amsterdam	C	10	50	Faro	F	16	61	Manila	C	27	81	Rome	S	20	68
Athens	F	15	59	Florence	F	14	57	Melbourne	C	29	84	Salzburg	S	13	55
Bahrain	S	18	64	Frankfurt	F	13	55	Mexico City	F	22	72	San Francisco	C	11	52
Bangkok	F	30	86	Funchal	S	19	66	Miami	S	21	70	Seoul	S	8	46
Barcelona	F	17	63	Geneva	C	7	45	Milan	R	8	46	Singapore	F	30	86
Beirut	–	–	–	Gibraltar	F	18	64	Montreal	S	-17	1	Stockholm	C	4	39
Belfast	S	3	37	Glasgow	S	6	43	Moscow	C	1	34	Strasbourg	C	11	52
Belgrade	S	17	63	Guernsey	R	10	50	Munich	S	10	50	Sydney	S	25	77
Berlin	C	11	52	Helsinki	R	-4	25	Nairobi	F	25	77	Taipei	F	26	79
Biarritz	F	18	64	H. Kong	C	19	66	Naples	S	21	70	Tangier	C	18	64
Bombay	S	29	84	Innsbruck	F	7	45	Nassau	F	28	82	Tel Aviv	S	19	66
Bordeaux	C	14	57	Inverness	C	4	39	New Delhi	S	20	68	Tenerife	S	21	70
Brussels	C	11	52	Islamabad	C	20	68	New York	S	-8	18	Tokyo	S	13	55
Budapest	F	13	55	Istanbul	S	13	55	Nice	F	12	54	Toronto	F	-13	9
B. Aires	R	27	80	Jakarta	R	30	86	Nicosia	F	19	66	Tunis	S	24	75
Cairo	S	22	72	Jersey	R	10	50	Oporto	C	14	57	Valencia	C	16	61
Cape Town	S	22	72	Jo'burg	F	25	77	Oslo	S	1	34	Venice	R	8	46
Caracas	–	–	–	Lima	F	23	73	Paris	R	10	50	Vienna	S	12	54
Casablanca	C	19	66	Lisbon	T	13	55	Peking	S	-2	28	Warsaw	S	13	55
Chicago	S	-16	3	London	R	10	50	Prague	S	12	54	Washington	S	-8	18
Cologne	C	11	52	Los Angeles	C	6	43	Reykjavik	S	-5	23	Zurich	F	8	46
Copenhagen	F	8	46	Luxembourg	C	10	50								
Corfu	F	19	66	Madrid	C	12	54								
Dallas	C	0	32	Majorca	F	21	70								
Dublin	F	3	37	Malaga	R	16	61								

Readings at mid-day yesterday

C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Suez refinances takeover

Continued from Page 1

Mr Jean Peyrelevade, UAP's chairman.

UAP will pay for about FFr7bn of its investment from its existing cash resources, with a further FFr1bn to FFr3bn of medium-term debt. In addition, UAP plans to float 10 per cent of its capital – it is at the moment 85 per cent owned by the Government, well within the limits on state-owned companies – next March, raising about FFr5bn more in equity.

Mr Peyrelevade said yesterday that Victoire would have total management autonomy as Sun Life and Royal Belge did already, but that the 34 per cent stake meant that no strategic decision could be taken without his group's agreement.

In the domestic market, he said, Victoire and UAP would continue to compete with each other. He saw possibilities for co-operation, however, in areas such as reinsurance, travel and emergency assistance services and perhaps joint acquisitions in the future.

Soviets sign new deal with EC

Continued from Page 1

fuels which already enter the Community tariff- and quota-free, and therefore the volume of trade affected by the new concessions is relatively small. But Soviet negotiators have evidently regarded their EC negotiations as a trial run for their country's eventual entry into the Gatt (General Agreement on Tariffs and Trade), whose provisions on non-discriminatory tariff treatment and commerical safeguards have been written into the EC-Soviet accord.

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COMPANIES & MARKETS
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INSIDE

French win their revenge

In a previous life Carron Phoenix cast the cannon that Nelson used at the Battle of Trafalgar. But now – after nearly two centuries – the French have won their revenge, and the Falkirk-based sink manufacturer is agreeing to a £6.8m takeover by Groupe Bene, a private company. Like Carron, Bene is principally involved in the manufacture and sale of domestic sinks. It argues that the two companies' product ranges and production techniques and complementary and that linking them will create a force that is well placed to compete in the European market. Page 19

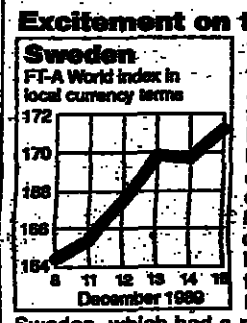
Cashing in on coins

What will people be hoping to see in their Christmas stockings in the 1990s? Platinum koalas perhaps. GoldCorp Australia, the Western Australian state-owned company, which markets precious metals coins is overhauling its marketing to boost collectability. In future, GoldCorp will offer new designs on its gold and platinum coins every year. And it will launch them every November to ensure availability for Christmas gift-giving and the Chinese New Year. Page 28

Mystery in the market

There is a mystery at the centre of the market for commercial bank loans to developing countries. Dealers say their inventories have not been growing; in fact, some which formerly held loans in order to make a market are no longer doing so. So, where have all those loans been going? Stephen Fidler investigates. Page 18

Excitement on the fringes



The excitement in the world stock markets areas was mostly confined to the sidelines last week. The big markets let the side down as declines in France, West Germany, and the UK left Europe recording a decline of 0.7 per cent, but there were solid performances in less hallowed areas, particularly Sweden, which had a rush of corporate finance activity and the promise of a further wave of company mergers and acquisitions early next year. The result was a 4.2 per cent rise on the Stockholm bourse, just as some observers were saying that its really good times were over. Page 40

Dreams of the East

A long-held dream looks like coming true for three London securities firms. For the Tokyo Stock Exchange has bowed to pressure at home and abroad and decided to admit 10 new members, three of which are likely to be foreign firms. The decision announced yesterday is a victory for a long-running campaign by the UK Government. Page 16

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)

Rises			
AEG	294.5	+	8
Commerzbank	274	+	4
Deutsche Bank	770.5	+	6.5
Dresdner Bank	404.5	+	15
Preussag	392	+	7.5
Falls			
Daimler-Benz	682	–	2

NEW YORK ($)

Rises			
Apple Comp	34¾	+	1
Brazil Fund	12⅞	+	1½
CML Group	20⅞	+	⅞
Falls			
Amgen	51⅛	–	4⅞
Bk of New Eng	7⅝	–	1⅛
Fed Nat Mort	30⅞	–	2⅞

PARIS (FFr)

Rises			
Casino Adp	137.8	+	4.5
Eurotunnel	51.7	+	4.0
Lyon Des Eaux	545	+	22.9
SFIM	1870	+	88.6
Falls			
Hénin	821	–	27.7
SAT	1820	–	57.8

TOKYO (Yen)

Rises			
Fuji Car Mfg	1410	+	150
Marubeni Const	1290	+	120
Michitsu	1450	+	200
Shinagawa Fuel	1960	+	170
Showa Mining	855	+	72
Yokowo Mfg	1850	+	150

LONDON (Pence)

Rises			
BTR	469	+	12
Bass	1095	+	11
Burmah	690	+	6
Crown Comms	274	+	25
Doctus	107	+	12
Eng China	429	+	9
Eurotunnel Uts	545	+	22
Gen Accident	1183	+	15
Hestair	331	+	24
Power	210	+	18
Reuters	1053	+	19
Royal Ins	542	+	15
Severn Trent	143	+	14
Thames Water	148	+	12
THORN EMI	780	+	7
UK Paper	378	+	42
Water Pack Uts	£1508	+	90
Wessex Water	162	+	10
Falls			
Acatos & Hutch	152	–	3
BET	256	–	18
Davis & New'n	735	–	40

Marriott to restructure business

By Roderick Oram in New York

MARRIOTT, the leading US hotel chain, said yesterday it would concentrate more strongly on its core lodging and food service businesses by shedding its airline catering, fast food and family restaurant operations and streamlining its management.

The resulting write-offs and pre-tax restructuring charges will total between $275m and $325m in its fiscal fourth quarter ending December 29. It will also purchase 10m of its shares over the next year. This means the company will have bought back some 35 per cent of its equity in four years.

"As we move into the 1990s, we want to sharpen Marriott's focus on mega-markets in lodging and contract services which together have an estimated aggregate potential of more than $400bn in (worldwide) industry annual sales," said Mr Bill Marriott, chairman.

The company, founded by Mr Marriott's father in 1927, expanded rapidly in recent decades, building luxury hotels known for their spectacular atriums. It has diversified in recent years into, for example, low-cost hotels through its new Fairfield Inn chain, and retirement housing.

The company is admired on Wall Street for its financing acumen. Typically it builds hotels, sells them to investors and retains management contracts. This technique helps it keep its capital free for further construction projects. In the 12 months ended September, it added 89 hotels with 15,000 rooms to its network of 538 hotels with 135,000 rooms.

Mr Marriott said the company's core businesses had the potential to grow at 15 to 20 per cent a year. The operations it has decided to sell are profitable but failed to show the same potential.

In fiscal 1988, Marriott reported net profit of $232m, or $1.95 a share, on revenues of $7.4bn.

Restated for yesterday's actions, continuing operations would have shown net profits of $189m, or $1.59. It said fiscal 1989 profits from continuing operations will be slightly higher after the restructuring charges and gains from asset sales.

The charges comprise between $225m and $250m associated with the continuing lodging and food service operations, such as writing down estimated sales value of some properties, and $50m-$75m for leaving the restaurant business.

It has sold its Marriott In-Flite airline catering division to Caterair, a new private company formed by some of the division's senior executives. The $570m deal closed last Friday and will result in a $200m gain for Marriott.

In fast foods and family restaurants, Marriott said it had concluded that it was unrealistic for it to become a national leader in the face of entrenched brands.

The company is in "serious discussions" on the sale of its Roy Rogers division which operates or franchises 600 hamburger outlets in Mid-Atlantic states. It is also seeking buyers for 434 family restaurants including 235 under the Bob's Big Boy name and 57 under the Howard Johnson brand.

Fisons to buy VGI for £270m

By Clare Pearson in London

FISONS, the diversified British pharmaceuticals and horticulture group, yesterday announced a £270m ($433m) recommended bid for VG Instruments with the blessing of BAT Industries, 69 per cent shareholder in the UK scientific instruments concern.

The deal will make Fisons the fourth largest player in the $6bn world scientific instruments market. It will be financed in part by a one-for-eight rights issue.

The cash offer, which has been accepted by BAT, is pitched at 535p per share. There is also an offer of 1.61 new ordinary shares in Fisons for every one in VGI, or £535 nominal of new Fisons loan stock for every 100 VGI shares.

Fisons' shares rose 5p to 340p yesterday in approval of the acquisition and also, some said, in relief that the rights issue was not larger. Priced at 290p, it raises a net £211.1m.

The purchase terms for VGI were slightly lower than the highest market expectations last week, when the company said it was in discussions with a bidder. VGI's shares yesterday closed 19p lower at 516p.

For BAT, which is accepting cash, the disposal marks the first and simplest stage of its voluntary "unbundling" process precipitated by the bid from Sir James Goldsmith's Hoylake consortium in the summer.

Aside from BAT's 68.7 per cent stake, irrevocable undertakings to accept have been received in respect of a further 2.1 per cent of the shares.

Fisons yesterday forecast that its pre-tax profits for 1989 would rise to at least £165m from last year's £132.1m. It expected to pay a final dividend of 3.85p, making 6.2p (5p) for the year.

A desire to keep VGI in British hands, and make sure its decentralised management style was maintained, is thought to have weighed with BAT in choosing Fisons over other contenders for the company.

Mr John Kerridge, Fisons' chairman, said he saw growth prospects of about 10 per cent a year for the world's scientific instruments market. "We saw a chance here to step up our involvement in a very good business," he said. Fisons' scientific instruments division made £14m (£12m) in the first half of 1989.

VGI is forecasting pre-tax profits of about £22m for 1989, against £19.2m last time, and earnings per share of 24.8p (22.81p).

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NZ group counter-bids £299m for UK Paper

By Maggie Urry in London

FLETCHER Challenge, New Zealand's largest company, yesterday made a cash counter-offer for UK Paper worth £299m ($468.4m). This tops the £263m cash offer made last month by Metsä-Serla, the Finnish forest products company.

Metsä-Serla responded by saying it would consider making a still higher bid. UK Paper shares rose 42p to close at 378p, 3p above the Fletcher Challenge offer price of 375p a share.

The development vindicates those UK Paper shareholders and stockbrokers' analysts who have said that the Metsä-Serla offer, at 330p a share, undervalued the business.

UK Paper's directors had recommended the Metsä-Serla bid to shareholders, saying that its pre-tax profits would fall from £19m to £15m this year. But they had not agreed to accept the offer for their own shares.

Yesterday, UK Paper's directors gave Fletcher Challenge, which is a leading pulp and paper group, irrevocable commitments to accept its offer for the 7.5 per cent of the shares they hold. In return, Fletcher Challenge said its offer was final and would not be increased.

Fletcher Challenge was able to buy UK Paper shares, including a purchase of 2.75m shares from Electra Investment Trust. Other institutions selling shares yesterday included Norwich Union and Scottish Mutual Assurance. Fletcher Challenge's stake by the end of the day was thought to be approaching 20 per cent.

If Metsä-Serla is to bid again, it is expected to do so rapidly, before Fletcher Challenge has built up an unassailable share holding.

Mr Garry Mace, chief executive officer of Fletcher Challenge's forest products division, said the company had been looking at making an acquisition in Europe for some time. The company has pulp and paper interests in New Zealand, Australia and North and South America. If its bid for UK Paper succeeds, it will form the basis of further expansion in Europe.

Mr Mace said Fletcher Challenge picked UK Paper as an attractive takeover target in March this year. However, Fletcher Challenge was not among the potential suitors UK Paper talked to before agreeing the Metsä-Serla bid.

Mr Mace said Fletcher Challenge's strengths were in such paper grades as newsprint and lightweight coated paper, so UK Paper's fine paper activities would take it into a new product area as well as a new geographical area.

Fletcher Challenge, like Metsä-Serla, is a net seller of pulp, whereas UK Paper is a net pulp buyer. Integrated companies – which both make and use pulp – can balance the swings in the pulp price and so produce a smoother profit performance.

Mr Hugh Fletcher, chief executive officer of Fletcher Challenge, said the 375p offer looked high against UK Paper's forecast current year earnings of 17.4p a share, but added: "You do not buy on the basis of one year's earnings."

Fletcher Challenge is being advised by MacArthur and Co, Metsä-Serla by Shearson-Lehman and UK Paper by Schroders.

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Christine Morin-Postel: a strident Joan of Arc at the head of French forces

Lyonnaise des Eaux investments in the UK

Name	Size of stake	Approx. value
New Water PLCs		
Anglian	9%	£43.8m*
Wessex	6%	£10.3m*
Severn Trent	2%	£10.2m*
Statutory water companies		
Essex	100%	£47.6m+
East Anglian	100%	£21.6m+
Newcastle & Gateshead	100%	£39.1m+
Sunderland & S. Shields	100%	£35.9m+
Bristol	18%	£5.0m
Others		
PFG Hodgson Kenyon (funeral director)	15%**	£8.6m
Sitaclean Technology (waste disposal)	100%	–
Estimated total (water shares fully paid)		£300m

* partly paid value
\+ value of agreed bid
** convertible to a 25% stake, held through Lyonnaise subsidiary Pompes Funèbres Generales

French group buys into UK companies

By Andrew Hill in London

LYONNAISE des Eaux, which has spent about £50m ($78m) on stakes in three of the newly-privatised water companies, has called a halt to further market purchases.

The diversified French water company – which has interests ranging from funeral directing to cable TV – confirmed yesterday that it had amassed 9 per cent of Anglian Water, 6 per cent of Wessex Water and 2 per cent of Severn Trent within a week of the start of dealings. It did not apply for shares in the public offers-for-sale.

Mme Christine Morin-Postel, a senior vice-president of France's second largest water company, said that was the full extent of the group's holdings in the newly-privatised companies.

She ruled out further stake-building and said she was sceptical about the possibility of full takeover bids.

Lyonnaise already owns four of the UK's 29 statutory water suppliers, but would be prevented from bidding for a water company by the Government's "golden share" and the 15 per cent limit on stakes in each company.

Lyonnaise will have spent £300m in the UK by the time it has paid the third instalment on shares in the privatised water companies.

Lyonnaise's rival, Compagnie Générale des Eaux, is also thought to have been active in the market last week, but has yet to announce stakes.

Directors of the newly-privatised companies seemed shocked by the speed of the French move, although they had expected early stake-building.

Mme Morin-Postel was also surprised by the scale of trading in the new companies.

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Swimming for beginners while the sharks circle

Andrew Hill examines the French raid on UK water companies

Asked to pick the appropriate metaphor to describe their first week as a quoted company, the directors of Anglian Water would probably select "thrown in at the deep end".

Exactly seven days ago the water company was enjoying its first day on the market. Today it is contemplating co-existence with a large French shareholder – Lyonnaise des Eaux – best-known in the UK for buying four of the UK's private sector water companies in the last 18 months.

"It's been quite a week – we've had to learn about things rather quicker than we might have expected," said Mr Alan Smith, finance director of Anglian, yesterday.

Lyonnaise, never slow to act once it has decided what it wants, has built up stakes in three of the newly-privatised water PLCs: 9 per cent in Anglian, 2 per cent in Severn Trent and 6 per cent in one of the smaller companies, Wessex.

According to Christine Morin-Postel, a Lyonnaise vice-president, the group will have invested some £120m ($192.4m) once it has paid the last two instalments on the water shares.

That means Lyonnaise – France's second largest water supplier – has pumped about £300m into the UK in the last couple of years. That includes the purchase of a stake in PFG Hodgson Kenyon International, the British funeral director, and the establishment of a subsidiary to tender for local authority waste disposal contracts.

The strategy has won Lyonnaise an unwelcome label as the most aggressive of the three French investors in the UK water industry, and critics have characterised the high-profile Mme Morin-Postel as a strident Joan of Arc, leading the French forces.

Such criticisms ignore the fact that the other French water suppliers involved in the UK water industry – Compagnie Générale des Eaux and SAUR, a subsidiary of Bouygues – have also bought four statutory companies apiece. All 12 bids were recommended by the targets.

Mr Stuart Larnder – finance director of Severn Trent, one of the largest water PLCs – is sceptical about French takeovers, the prospect of which has fuelled a frenzy of dealing in the past week. "Basically the French are taking an investment position and that is the way it will stay for the foreseeable future," he said yesterday.

In any case, several obstacles stand in the way of full bids for any of the water and sewage businesses.

● There is still a Government "golden share", and a 15 per cent restriction on shareholdings in each water company. They expire in 1994, although Welsh Water will enjoy special protection through its articles of association beyond that date.

Mr Nicholas Ridley, the Trade and Industry Secretary, suggested last Wednesday that the Government had reservations about special shares, but they clearly remain a potent short-term defence against takeover. Waiving them and allowing French companies to bid would also create political difficulties, as yesterday's vociferous criticism from the Labour front bench suggested.

● Even were the golden share dropped, a bid for one of the 10 water companies would be referred automatically to the Monopolies and Mergers Commission. The commission would examine mergers of existing suppliers very closely, liaising with the Director General of Water Services. The commission might veto further consolidation on the grounds that heavy French investment had already reduced comparative competition.

An MMC ruling on the proposed merger of three statutory water companies north of London should provide some clues as to likely policy on future mergers. The ruling is expected before January 12 and has the added spice of French involvement because, if allowed to proceed, Générale des Eaux would probably be left with a controlling stake in the enlarged company.

● To buy even the smallest newly-privatised water company – South West – would cost Lyonnaise some £360m, fully paid. The largest of the 12 French bids for statutory water companies was only £58.6m.

Lyonnaise and Générale des Eaux, France's largest water company, and even SAUR, if backed by its parent Bouygues, could probably finance such a takeover, but Mme Morin-Postel believes Lyonnaise has spent enough for the time being.

SAUR is more likely to concentrate on joint ventures with the companies than on complex and politically unpopular predatory bids. It has already signed agreements on waste disposal with Southern and Welsh Water. Générale, also thought to have bought water company stock in the last week, has yet to comment on its strategy.

A full takeover would also depart from Lyonnaise's international strategy. That involves building a collection of joint ventures or minority stakes. The French group is known to be looking for an industrial partner – not a water company – for Lyonnaise UK, which holds its British water investments.

None of those drawbacks is likely to stem the tide of market interest in the Government's most controversial privatisation which helped push almost all water stocks up yesterday. As one industry analyst put it yesterday: "Water will run and run."

INTERNATIONAL COMPANIES AND FINANCE

Berisford chairman quits after disappointing results

By Clare Pearson in London

MR EPHRAIM Margulies yesterday said he was stepping down after 11 years as managing director of Berisford International, as the UK sugar processing, commodities and property group announced disappointing results for the year to September 30.

Pre-tax profits of £107.3m ($171.7m), up from £101.6m in 1987-88, were held back by a £25.8m exceptional item. There was also a £99.9m below-the-line debit, swelled by involvement in the depressed New York property market.

Earnings per share rose to 15.7p (14.2p), but a final dividend of 4.4p leaves the full-year payment static at 6.2p.

The new chief executive is Mr Peter Jacobs, managing director of Bristar, the agri-business division, which includes British Sugar, the beet processor which dominates the UK sugar market. Mr Margulies remains executive chairman.

The appointment of Mr Jacobs underlines Berisford's plan to de-emphasise its property, commodities and financial sides. Mr Margulies has been with Berisford since he reversed his commodities trading operation into it in 1970.

Mr Jacobs said he preferred to see the new corporate strategy as focusing on Bristar, rather than selling off the rest. But Mr Philip Aaronberg, chief financial officer, said the company was seeking "suitable solutions for the departure out of the group" of the other divisions.

Berisford said it had taken over active management of the New York property portfolio following serious financial difficulties encountered by its partners.

Christopher Bobinski writes from Warsaw: Berisford has told the Polish Government it is willing to establish a joint venture with the country's entire sugar processing industry. In October, British Sugar took a 51 per cent stake in Sugarpol, a joint venture with two Polish plants. Talks on the offer with Mr Czeslaw Janicki, Poland's agriculture minister, are expected to take place in January.

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Cap Gemini makes acquisitions

By George Graham in Paris

CAP GEMINI SOGETI, the largest European computer services group, has announced four new acquisitions, reinforcing its presence in continental Europe and in the US.

The acquisitions include Apsis and Aptor, two sister companies in France, Cap Gemini's home market.

The two Grenoble-based companies, with sales of around FFr55m ($9.34m), specialise respectively in industrial automation and local industrial heterogeneous networks.

Accept Data, a Swedish company with turnover of around Skr100m ($16m) in 1989, will join Cap Gemini's existing subsidiary in Sweden specialised in financial market information systems.

In the US, Cap Gemini will acquire Merit Systems, an industrial computerisation consultant based in Detroit, Michigan, with turnover of around $13m.

Cap Gemini, which recently announced plans for raising up to FFr10bn of new capital over the next few years, is also understood to be in negotiations with Saatchi and Saatchi of the UK for the purchase of the latter's consultancy subsidiary Gartner.

● Commerzbank, the West German banking group, has sold 50.13 per cent of ADV/Orga F.A. Meyer, an ailing software company, to Sema Group, the Anglo-French information technology concern, writes Our Financial Staff.

The price is DM25m ($14.5m), of which DM19m is cash and DM6m depends on future profits. Commerzbank will maintain a 10 per cent stake in ADV/Orga.

The German bank acquired its stake from the family owners a year ago to rescue the company from bankruptcy following several years of losses.

Landis & Gyr set to cut payout

By John Wicks in Zurich

LANDIS & GYR, the Swiss electrical engineering concern, yesterday reported a group loss of SFr13.4m ($8.65m) for the year ended September 30, reflecting costs of SFr61m for corporate restructuring.

Excluding the restructuring, earnings would have been about SFr47.6m, compared with SFr62.3m in 1987/88, the Zug-based parent company said.

The board is to propose a reduction of the annual dividend from 10 to 8 per cent at the January 31 shareholders' meeting.

For the first time since 1976 there will be no annual rights issue. In recent years, this has been at a ratio of one for 18.

Group turnover in 1988/89 rose over the past business year by 13 per cent to SFr2.26bn and orders by about 11 per cent.

The company recorded a "gratifying" increase in sales and earnings in its building control division. Despite higher turnover, earnings fell for the energy management and communications divisions.

These have been pinpointed in the restructuring plan, one of the main thrusts of which lies in the scrapping of approximately 1,000 jobs worldwide.

The company now expresses confidence for the future and reckons with "positive developments on our markets in 1990."

ABB holds 96.7% of Combustion Engineering

By William Dullforce in Geneva

ASEA BROWN BOVERI (ABB), the European engineering group, reported that it holds 96.7 per cent of the shares of Combustion Engineering, the US process engineering and power services group.

ABB had announced on November 13 an agreed cash bid of $40 a share, valuing the Connecticut-based company at $1.6bn.

A meeting of Combustion Engineering stockholders is scheduled for late January or February to approve the merger, which will take ABB's worldwide sales to more than $25bn a year.

ABB said the US Justice Department had opened the way for early completion of the takeover by announcing that it would not block the acquisition, although its anti-trust division will continue to investigate the effect of the merger on competition in the US market for air pollution control equipment.

Mr Lars Thunell, executive vice president, said ABB had agreed to implement any Justice Department decision on the pollution control operation, which contributed no more than $50m of Combustion Engineering's $3.5bn annual turnover.

ABB and Combustion Engineering complemented each other so well in the US that little reorganisation would be needed, Mr Thunell said.

Outside the US the emphasis would be mainly on marketing and technical co-ordination.

Separately, ABB reported from Milan that it had agreed to pay $310m for the industrial operations of Franco Tosi, an Italian turbine and electrical machinery producer controlled by the Italmobiare group.

Correction
Bank of New England

BANK of New England will increase its loan loss reserves to more than $1bn at quarter-end from $354m at September 30, and not by $1bn as reported on Saturday.

Tokyo SE to admit 10 newcomers

By Stefan Wagstyl in Tokyo

THE TOKYO Stock Exchange has bowed to pressure at home and abroad and decided to admit 10 new members, three of which are likely to be foreign companies.

The decision announced yesterday is a victory for a long-running campaign by the British Government, spear-headed by Mrs Thatcher, to win entry for two British-based companies – Barclays de Zoete Wedd, the securities arm of Barclays Bank, and James Capel, a subsidiary of Hong-Kong and Shanghai Bank.

Credit Lyonnais Alexanders Laing & Cruickshank, owned by Credit Lyonnais, the French bank, has also expressed keen interest in joining the Tokyo exchange.

The exchange will start processing applications as soon as the move to expand the membership is confirmed at an extraordinary general meeting on December 26. It is widely believed that the selection of BZW, James Capel, and Credit Lyonnais is a foregone conclusion.

TSE officials said the new members would be announced in March and would be permitted to start business in November.

Mr Michael Connors, general manager of BZW Securities (Japan), said: "Obviously we welcome this development and hope that our application will be looked at favourably."

The UK has pressed hard for the admittance of the two British companies since they failed to win membership in December 1987 – the last time the TSE accepted new members, including 16 foreign brokers. Mrs Thatcher has repeatedly raised the issue in meetings with Japanese ministers, most recently during a visit to Tokyo in September.

Britain's insistence on keeping the issue high on the diplomatic agenda irritated many Japanese government and securities industry officials, some of whom argued that applying public pressure did the UK's cause no good.

Japanese Ministry of Finance officials eventually accepted the UK's case and pressed the TSE to respond.

TSE officials, under pressure to resist from various small and medium-sized Japanese securities companies, tried to stall. At one point it was suggested new members might be given second-class membership with restricted rights. British officials made it clear this would not be enough.

The new members will have to wait until November to allow for the installation of new computer trading systems, which will create space for more brokers on the trading floor.

The exchange argued all along that the main reason for denying new members access was a lack of space.

Several medium-sized Japanese banks, which have been waiting for licences to do business in London, will welcome the TSE's decision.

It is widely believed in Tokyo, although never admitted by British officials, that the UK has deliberately held back these licences until the TSE membership issue was settled.

INTERNATIONAL COMPANY NEWS IN BRIEF

HAFSLUND NYCOMED, the fast-growing Norwegian medical and engineering concern, has announced it will buy Chemie Linz Pharma, an Austrian pharmaceutical company, for NKr871m ($130.78m), writes Our Financial Staff.

Hafslund said it had signed an agreement with the two current owners, state-owned Chemie Linz Holding and Austria Tabakwerke, to buy the company in several stages. Chemie Linz's parent company is Chemie Holding.

From January 2, 1990 Hafslund will take over 55 per cent of the shares and by January 1991 an additional 10 per cent. The remaining 35 per cent will be acquired by January 1993.

Part of the purchase price can be paid in the form of up to 1m Hafslund Nycomed shares at an average price of NKr183 per share.

"Through this acquisition, Hafslund has substantially realised its strategic objective of establishing its own European sales and distribution network," it said.

■ Swissair, which on Thursday announced a co-operation agreement with Singapore Airlines, says it expects record earnings for the current year, writes John Wicks.

Mr Otto Löpfe, president, said expectations for 1989 results have been "more than met," aided by favourable exchange rates.

In 1988, Swissair net earnings had already gone up by 5.5 per cent to a record SFr76.1m ($49.13m), permitting an increase in dividends for the year from SFr36 to SFr38 per share and from SFr7.20 to SFr7.60 per dividend-right certificate.

Swissair also announced the formation of Shannon Aerospace, which is to set up an aircraft maintenance centre at Shannon Airport in Ireland. Swissair has a 35 per cent stake in the company's I£20m ($31.1m) capital, with Lufthansa holding a further 35 per cent and Guinness Peat Aviation the remaining 30 per cent.

Shannon aerospace is to start operation in the autumn of 1992.

■ Aegon, the Dutch insurer, has agreed to acquire the Home Service division of Washington National Insurance Company for more than $100m, writes Our Financial Staff.

The book of business and sales organization will be combined with the home service activities of Aegon USA's monumental life division.

■ Jardine Matheson Holdings has agreed to acquire Financial Guardian Group, the 14th biggest US commercial insurance broker, for a price yet to be determined, Agencies report.

Mr John Barton, chief executive of Jardine Insurance Brokers, a subsidiary of the Hong Kong conglomerate, said the company would merge Financial Guardian with its US insurance broker, Jardine Emett & Chandler.

■ Orkla Borregaard, the Norwegian industrial conglomerate, has acquired a stake of 10 per cent in Dyno Industrier, bringing its total stake in the company to 15.2 per cent, Reuter reports.

Orkla said it had bought the stock from Norsk Hydro for NKr112 ($16.8) per share. It gave no reasons for increasing its stake in the industrial group.

■ Reconta, the Italian accounting firm, has become the latest professional services firm to change its allegiance in the wake of the bout of mega-mergers in 1989, writes David Waller.

The firm, previously allied to Touche Ross, will merge with Ernst & Young's Italian practice in the new year.

Reconta Ernst & Young – as the new firm is to be known – will have fee income of $45m. Among its audit clients will be Pirelli, Ferruzzi Agricola and Mediobanca.

■ Industrivarden, the Swedish industrial holding company, is offering about SKr1bn ($160m) for outstanding shares in Nils Dacke, a Swedish engineering company, Reuter reports.

Industrivarden already had 53.9 per cent of the votes and 34.8 per cent of the equity of Dacke before trading was suspended in both companies' shares at their request yesterday.

■ Micron Technology, the US memory chip manufacturer, reported a sharp dip in sales and earnings for its first fiscal quarter, writes Louise Kehoe in San Francisco.

It blamed falling prices of memory chips and its transition during the quarter from 256K dynamic random access memory (Dram) production to one megabit dram production.

Net income for the first quarter of fiscal 1990 was $400,000, or nil earnings per share, compared with $32.2m, or 88 cents in the same period last year. Revenues fell 40 per cent to $68.5m from $110.4m.

■ Denison Mines, Canada's second largest uranium producer, says plans to sell its Spanish oil and gas properties have fallen through and new talks are starting with another potential buyer, writes Robert Gibbens in Montreal.

The Canadian oil and gas assets have been sold for C$44.6m (US$38.45m) and the sale of its Greek, Italian and Egyptian holdings is being negotiated.

Denison is rationalising to concentrate on its mining business.

INTERNATIONAL COMPANIES

Lion Nathan shortens the odds of Bond brewing deal

By Bruce Jacques in Sydney

THE ODDS on an early disposal of brewing interests by Bond Corporation, the troubled Australian conglomerate, shortened yesterday following positive statements from Lion Nathan, the New Zealand brewer trying to purchase the assets.

Mr Doug Myers, Lion chief executive, addressing the annual meeting in Wellington, said he still regarded his company as the "front runner" for the purchase of Bond's Australian beer interests.

"We are still the only suitor to have passed all the hurdles," Mr Myers he said.

"The only one remaining is Bond himself. I am even more confident than three months ago that ultimately we will succeed."

Mr Myers said he had been told by Australia's Federal Treasurer, Mr Paul Keating, that the Bond brewery assets would not be allowed to be sold outside Australasia providing there was a credible offer.

Mr Myers' statements came as a distinct morale booster to the Bond camp. In recent weeks speculation that the main banks to the Bond brewing companies were ready to foreclose if a sale was not quickly completed has worked itself up to fever pitch.

The deal for the reconstruction of the board at Bell Resources, the Bond Corporation offshoot, was delayed once more. But the National Companies and Securities Commission, the Australian securities regulator, told the West Australian Supreme Court that agreement was imminent.

The commission indicated that the deal – expected to give virtually equal representation to Bond Corporation, the Adelaide Steamship group and a team of independent shareholders – would be finalised by today.

Last week, the commission intervened in a proposed deal in which Bond and Adelaide Steamship would have held equal representation on the Bell board with Mr Geoff Hill, the merchant banker, as an "independent" chairman.

Rand Mines halts Amcoal bid for BP colliery stake

By Jim Jones in Johannesburg

RAND MINES, the South African mining group, has blocked Anglo American Coal's R546m (US$138.94m) bid for British Petroleum's share stake in the Middelburg colliery, ironically with the help of a close associate of the Anglo American group.

Amcoal has offered to buy BP's 88.5 per cent stake in Middelburg in spite of the fact that Douglas Colliery, wholly-owned by Rand Mines' Witbank Colliery subsidiary, had a pre-emptive right to match any offer and acquire the BP interest. Douglas, which manages Middelburg, owns 11.5 per cent of the colliery.

Witbank has struck a deal with Tavistock Colliery, wholly owned by Anglo's close associate Johannesburg Consolidated InvCompany (JCI), in which Tavistock will buy 40 per cent of Middelburg and contribute coal reserves which double Middelburg's expected life to about 30 years.

Middelburg produces about 5.5m tonnes of export steam coal each year though it has the capacity to produce some 6m tonnes.

The acquisition will lift Witbank's annual export allocation to 9.3m tonnes against Amcoal's 9.6m tonnes and the 9.4m tonnes of Trans-Natal, the coal mining arm of the Gencor group.

Weak textile markets hinder Winsor midway

By John Elliott in Hong Kong

WEAK TEXTILE markets held in check the post-tax profits of Winsor Industrial, one of Hong Kong's industry leaders, to HK$165.39m (US$21.2m) during the six months ended September 1989.

This was only 1.8 per cent above the same period last year when there had been a 30 per cent drop in profits from the first half of 1987. Turnover fell in the six months to September this year by 4.4 per cent to HK$1.3bn. Market conditions cut operating profits in textiles by 5.8 per cent to HK$149.4m from HK$158.7m in the same period last year.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, December 18, 1989. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY	£ STG	US $	D-MARK	YEN (X 100)
Afghanistan (Afghani)	[illegible]	[illegible]	[illegible]	[illegible]
Albania (Lek)	[illegible]	[illegible]	[illegible]	[illegible]
Algeria (Dinar)	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on December 18

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Austria 9½ 93	140	†103⅛	103⅝	+0¼	+0⅝	8.28
B.F.C.E. 8⅝ 94	175	100	100⅝	0	+0¼	8.32
B.F.C.E. 9¼ 95	150	103⅛	103⅝	0	+0¼	8.44
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6¼ 91	80	99⅞	100	-0⅛	0	6.21
Canada 5⅝ 93	80	98⅛	98⅝	-0⅛	0	6.01
Eurofima 5 1995	20	95⅛	95½	-0⅛	-0⅞	6.06
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS [illegible]

DEUTSCHE MARK STRAIGHTS [illegible]

SWISS FRANC STRAIGHTS [illegible]

FLOATING RATE NOTES [illegible]

CONVERTIBLE BONDS [illegible]

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (three-month; above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The prices over the past week were supplied by: Bankers Trust International; Kredietbank N.V.; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Bank Generale du Luxembourg SA; Bank Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring & Pierson; Credit Suisse; Bank of Tokyo International; Chemical Bank International; Citicorp International Bank; Daiwa Europe NV; LTCB International; Robert Fleming & Co; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Nomura International; Sanwa International; Samuel Montagu & Co.; Société Générale Strauss Turnbull; Swiss Bank Corporation; UBS-Phillips & Drew; S.G. Warburg Securities; Wallman Int SINS2; Line BONDSIN Truncation occurred. Story '#113903'.

INTERNATIONAL CAPITAL MARKETS

French rate hike surprises dealers

By **Rachel Johnson** in London and **Janet Bush** in New York

EUROPEAN bond markets were rudely aroused from their seasonal torpor yesterday by the Bank of France's surprise move to lift its intervention rate half a point to 10 per cent, and the emergency funds rate by the same amount to 10.75 per cent.

The move, designed to shore up the franc in relation to the D-Mark, put downwards pressure on bond prices as short-term bond yields rose.

GOVERNMENT BONDS

The March bund contract in Liffe fell 36 basis points to the day's low of 91.61. After a slight recovery, the bund traded up during the afternoon to close at 91.78, down 0.16 from Friday's close.

■ The French rate increase – which the markets had assumed would not happen before the new year – also had an impact on the listless UK gilts market. Bond prices fell seven or eight ticks at the longer end *from overnight rates.* At the shorter end, bond prices were fairly well protected by the high interest rates prevailing in the UK.

The market traded within a narrow range to close unchanged at the shorter end, and ⅛ point down at the longer end. The benchmark Treasury 9 per cent due in 2008 opened at 94⅛ yesterday morning and closed at 93⅞.

■ US Treasury bonds started quietly yesterday, trading in a narrow range while monetary policy remains a key, unresolved issue. Later in the session, bonds profited from a sharp sell-off on the equity market and prices closed modestly higher.

In late trading, short-dated maturities were quoted up to ⅛ point higher while the Treasury's benchmark long bond was ¼ point higher for a yield of 7.83 per cent.

During the morning session, prices were virtually unchanged from Friday's close in advance of the meeting today and tomorrow of the Federal Open Market Committee.

Interest rate policy has not changed since early November when the Fed pushed its Fed funds target down to 8½ per cent from around 8¾ per cent. Fed funds yesterday opened at 8½ per cent and then edged higher to 8¾ per cent. The Fed did not operate in the money market yesterday.

The modest price gains in the bond market yesterday afternoon appeared to stem *from a flight to quality from* the equity market which saw heavy selling of financial issues due to concerns about exposure to bad real estate loans.

There is a great deal of economic data this week but none are forecast to show any dramatic strength or weakness. November consumer prices are due today along with November housing starts.

BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS	13.500	9/92	103-22	+9/32	11.87	11.92	11.81
	9.750	1/98	94-30	-5/32	10.71	10.84	10.78
	9.000	10/08	93-26	-5/32	9.72	9.80	9.87
US TREASURY *	7.785	11/99	100-21	+6/32	7.78	7.87	7.88
	8.125	8/19	103-08	+5/32	7.84	7.89	7.90
JAPAN No 111	4.800	6/99	95.0654	-0.743	5.59	5.43	5.35
No 2	5.700	3/07	102.0420	-	5.47	5.47	5.52
GERMANY	7.000	9/99	98.7000	-0.150	7.18	7.28	7.42
FRANCE BTAN	8.000	10/94	93.4783	-0.801	9.74	9.56	9.88
OAT	8.125	5/99	93.6300	-0.950	8.14	9.05	9.07
CANADA *	9.250	12/99	98.3000	+0.100	9.52	9.58	9.39
NETHERLANDS	7.250	7/99	96.6000	-0.240	7.76	7.76	7.81
AUSTRALIA	12.000	7/99	94.2175	-0.129	13.07	13.06	13.28

London closing, *denotes New York close
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Third World debt traders: the unsolved mystery

Stephen Fidler on the reasons for the resilience of the secondary market in problem debtor bank loans

There is a mystery at the centre of the market for commercial bank loans to developing countries where banks exchange debt often at a large discount to face value.

Banks have been persistent sellers of loans to problem debtors over the year but there have been precious few identified buyers of loans. The ultimate demand, represented mainly by conversions of foreign debt by debtor countries, has slackened off this year. The World Bank expects the total of debt conversions in 1989 to fall to around $14bn from $22.4bn last year.

Dealers say their inventories have not been growing; in fact, some which formerly held loans in order to make a market are no longer doing so. So where are where all those loans been going?

Prices are ending the year close to record lows, despite a mid-year rally. Argentina, for *example, has slumped to about* 11½ cents from 20 a year ago. Poland, faithfully paying interest in full until the final quarter of this year, has halved in price to about 19 cents.

The market has also seen unprecedented volatility over the past year. Relatively small sums – the average deal size probably has a face value of $5m or less – can still move prices unduly and big price swings have shaken out some *previously prominent market makers.* For example, the price of Brazilian loans rose 4 cents yesterday to 23 cents following apparent presidential election success of Mr fernando Collor de Mello.

Four banks are generally acknowledged to be market *leaders: NMB Bank of the* Netherlands, Libra, the London-based consortium bank, Citibank and JP Morgan.

Estimates for turnover this year vary between $60bn and $80bn, compared with last year's estimates which centre around $50bn. Some of that higher activity is illusory, since although the face value of traded debt has increased, prices have fallen. Some of the increase is also due to an increased churning of dealers' portfolios.

Competition has pushed trading spreads – the gap between bid and offered prices – to a quarter point or less. To make money therefore, traders are increasingly forced to take a view of the market and position themselves to profit from the expected price movements. Some traders' lower profiles are undoubtedly a result of money lost in this way.

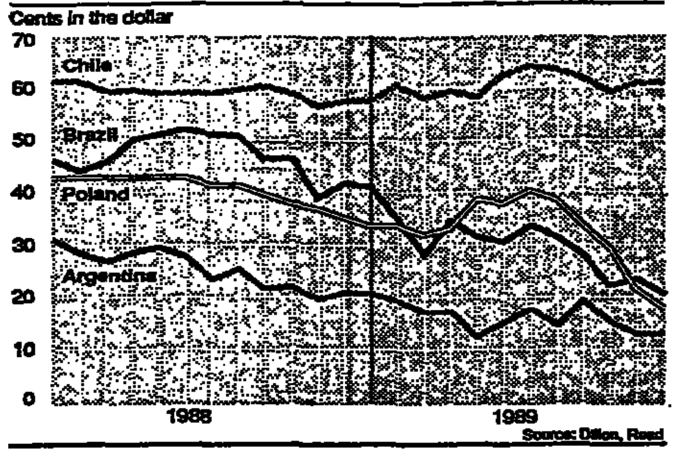
Other dealers have been tempted away from the increasingly risky trading business, having decided that corporate finance business in developing countries is safer and more profitable.

Companies in Latin America restructuring their own finances or taking over privatised enterprises have provided one of the few sources of underlying demand in the market over the last year. Restructuring companies can win advantageous terms by converting foreign currency government debt, purchased on the market at a *discount, into local currency.*

Efforts have been made to develop demand for the loans from investors but they have met little apparent success, according to Mr Stephen Dizard, a managing director at Salomon Brothers. (By contrast, a healthy market is *appearing in the bearer bonds* issued by Latin American governments, which they have continued to service. Merrill Lynch this month launched a high-yield fund devoted to investment in such bonds.)

Secondary market prices

Cents in the dollar



Source: Dillon, Read

The other obvious source of such demand – official debt to equity swap programmes and debt buy-backs – has been running more slowly. Debt-equity swaps are falling prey to two concerns: the worry *that the creation of local* currency involved is inflationary and the nationalistic antipathy toward what is in effect a subsidy for foreign takeovers of local enterprises.

Venezuela in November opened a new debt-equity swap programme, while *Chile* has *continued with its long-standing* debt-equity conversion policy, although that is likely to be modified given a *new* government. The big programmes in Brazil and Mexico have been suspended (the latter's to be revived under its debt agreement with banks at a modest *$1bn a year).*

Chile and the Philippines are both concluding official buy-backs of debt. Both will be financed at least in part by official resources from the International Monetary Fund and World Bank, as part of the Brady Plan, the new debt initiative named after the US Treasury Secretary Mr Nicholas Brady, who launched it in March.

In a sense, the Brady initiative was born out of the secondary market in bank loans. The fact that banks were willing to exchange loans at big discounts to face value offered a way out of the seven-year-old debt crisis. The Brady initiative suggested that since, almost by definition, problem *debtor countries were strapped* for cash, western official finance should help countries agreeing to economic reform to capture some of the discounts for their own benefit.

The initiative will undoubtedly add another dimension to the market. The debt relief *deal for Mexico covering $48bn* of its medium and long-term bank debt loans involves the creation of two new instruments: fixed and floating rate bonds partly collateralised by official resources for which banks will exchange their existing loans. Mr Rick Haller of Libra Bank says his bank is already looking at a range of techniques to enable "the exchange of Brady bonds into a range of post-Brady derivatives".

The initial market reaction to the Brady initiative led banks to hold on to their loans, enabling prices to rally. Later as the view grew among bankers *that* the plan was underfunded, prices started to erode. Some bankers claimed that the plan was an invitation to debtor countries to fall into arrears. What *followed* was a new round of reserve building by large banks, particularly in the US and UK. Most banks have now provided a cushion against losses of between 50 and 100 per cent of exposure. In the last six months, many big banks, including at least one of the UK clearers and a number of New York banks, have been sellers.

The market is certainly more sensitive to news than it used *to be. Indications of countries'* willingness, rather than ability, to pay interest can have a significant impact on prices. But the market is most sensitive of all to news of bank reserving, which almost inevitably generally leads to a declines in prices.

This arises because of the way many banks look at their loan portfolios after provisioning. If they sell their loans at a smaller discount than implied by their provisions, bankers perceive the difference as a profit. Because there are so few underlying buyers, prices are pitched low enough to prevent the unleashing of large sales by well-provisioned banks at a "profit." Thus, prices are generally below the level of provisions of selling banks. This sets up a spiral: in the absence of other reliable information, banks look to the secondary market to set their provisions. Declining prices in the secondary market, it is argued, also discourage debtor countries from paying interest since they recognise the huge discounts represent a barrier to their further borrowing from banks.

In this environment, says Mr Michael Milbourn of Standard Chartered Merchant Bank: "The economic fundamentals are very much hidden from view."

Meanwhile, the debt management of some countries becomes increasingly chaotic. That of Brazil, the largest debtor, is described by one trader as "nearly anarchic."

Anarchic or not, debtor countries are increasingly shrewd about their use of the secondary market. While a few go through official channels to obtain the necessary waivers from banks for buy-backs, other countries – according to traders – are using reserves buy back their loans on the quiet.

A year or two ago, this would have triggered outrage among international banks. Today, it goes on, barely below the surface, with most banks turning a blind eye to the fact that it is in contravention of their original loan agreements. This change is largely because many banks' view of their own self interest has changed. Instead of attempting to shore up the value of their portfolios, most banks are now concentrating on reducing the size of them. Without this buying – the answer to the mystery – they would stand even less chance of reducing their loan portfolios.

Credito Italiano launches Y10bn, three-year issue

ACTIVITY on the Eurobond market was sluggish yesterday. Professional market-making was closed for the Christmas holiday, meaning that secondary trading was minimal, writes **Andrew Freeman.** *Meanwhile,* new issues retreated, with just three small deals emerging.

INTERNATIONAL BONDS

Nomura International brought a Y10bn issue for Credito Italiano. The bonds mature on March 23 1993, and carry a coupon of 6¼ per cent. Payment date is on December 22, and the issue price of the Luxembourg-listed bonds is 101¼ per cent.

Full underwriting fees are 1⅜ per cent, with a ⅞ point selling concession.

DKB International was the lead manager of a $30m issue for C. Itoh Finance (Europe) which came with an 8⅝ per cent coupon priced at 101¾ per cent. Underwriting fees are 1⅝ per cent, with a 1⅛ point selling concession. The bonds mature on December 29 1993.

LTCB International brought a Y4.5bn Nikkei-linked issue for Union Bank of Finland. The bonds mature on April 22 1991 and are priced at 101. For three months the coupon is ⅛ point over Libor, after which it will be fixed at 12 per cent. The payment date is January 22 1990.

● Euro-clear, the *Brussels*-based clearing and settlement system, has doubled its payout of rebate fees to its participants. This year's rebate, representing a portion of fees paid for safekeeping and communications, amounts to $8m.

Tokyo to tax Euroyen futures

IN A BID to standardise taxes on its derivative products, the Japanese Ministry of Finance is to impose a tax on Euroyen futures traded at the Tokyo International Financial Futures Exchange, writes **Deborah Hargreaves.**

The tax, to take effect next October, will cover 0.001 per cent of the value of a contract.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section	Mon Dec 18 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Fri Dec 15 Index No.	Thu Dec 14 Index No.	Wed Dec 13 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (204)	904.75	+1.0	12.78	4.79	9.59	30.71	895.94	906.86	908.84	764.05
2 Building Materials (28)	1075.87	+1.1	14.68	5.26	8.54	40.71	1064.19	1076.85	1081.86	923.65
3 Contracting, Construction (37)	1473.10	+0.8	16.78	5.25	7.82	56.19	1461.38	1470.58	1471.68	1449.20
4 Electricals (10)	2624.25	+1.1	10.29	4.74	12.21	84.46	2596.59	2628.61	2642.95	2251.14
5 Electronics (30)	1915.88	+0.7	9.59	3.82	13.41	52.19	1902.72	1930.43	1941.99	1738.87
6 Mechanical Engineering (53)	473.38	+0.7	12.24	4.85	9.95	16.44	469.99	473.13	472.82	408.82
8 Metals and Metal Forming (6)	473.29	+0.4	24.91	6.35	4.53	23.82	471.34	477.37	470.39	446.88
9 Motors (16)	376.60	+0.8	14.12	5.60	8.30	11.84	373.58	375.75	376.71	257.85
10 Other Industrial Materials (24)	1740.84	+1.7	9.50	4.35	12.39	55.27	1711.85	1737.95	1752.81	1296.20
21 CONSUMER GROUP (184)	1311.96	+0.4	8.66	3.49	14.49	33.79	1306.67	1320.90	1325.17	1082.22
22 Brewers and Distillers (23)	1527.52	+0.6	9.36	3.44	13.27	36.48	1517.84	1525.87	1526.76	1113.85
25 Food Manufacturing (20)	1145.50	-0.1	9.26	3.86	13.53	31.60	1146.50	1158.90	1165.29	901.48
26 Food Retailing (15)	2237.47	+0.8	9.33	3.24	14.15	52.06	2219.28	2259.42	2270.12	1757.59
27 Health and Household (14)	2695.03	+0.1	5.86	1.93	20.34	46.95	2692.55	2745.81	2768.31	1761.86
29 Leisure (34)	1657.30	+1.1	8.86	3.57	15.29	44.41	1638.99	1651.26	1641.91	1333.88
31 Packaging & Paper (14)	550.79	+1.8	11.96	5.22	10.48	18.37	541.10	543.45	545.86	511.97
32 Publishing & Printing (18)	3777.07	+0.3	8.36	4.65	15.45	121.48	3767.35	3792.45	3815.93	3174.65
34 Stores (32)	788.77	+0.2	11.16	4.74	11.67	25.98	787.13	791.21	791.84	668.61
35 Textiles (14)	525.11	+0.5	10.92	5.65	11.11	22.08	522.40	524.95	528.12	444.95
40 OTHER GROUPS (97)	1172.47	+0.6	10.59	4.55	11.37	39.90	1164.94	1175.19	1182.29	880.90
41 Agencies (17)	1590.62	+1.5	6.66	2.29	18.43	27.29	1570.16	1583.64	1620.19	1012.12
42 Chemicals (22)	1220.40	+0.3	12.42	5.24	9.47	47.73	1216.67	1220.36	1223.63	1000.44
43 Conglomerates (14)	1615.74	......	10.94	5.34	10.76	68.01	1616.30	1643.16	1652.89	1230.57
45 Transport (13)	2273.66	+0.3	10.48	4.23	12.17	68.85	2267.74	2301.88	2298.53	1836.51
47 Telephone Networks (2)	1192.57	+0.9	10.65	4.30	12.21	38.54	1182.06	1190.93	1198.16	998.87
48 *Miscellaneous (29)*	1930.24	+1.1	10.45	4.69	10.75	65.42	1909.27	1919.58	1927.89	1162.17
49 INDUSTRIAL GROUP (485)	1180.86	+0.6	10.23	4.12	12.02	35.72	1173.62	1185.78	1190.57	921.54
51 Oil & Gas (15)	2379.67	+0.1	9.10	4.82	14.52	96.43	2376.32	2388.40	2452.12	1761.57
59 500 SHARE INDEX (500)	1280.94	+0.5	10.07	4.22	12.33	48.70	1273.97	1286.19	1295.60	992.60
61 *FINANCIAL GROUP (120)*	839.85	+0.6	–	5.05	–	30.41	834.90	836.83	838.02	672.23
62 Banks (9)	866.87	+0.2	19.91	5.80	6.60	36.37	865.36	867.82	871.65	665.87
65 Insurance (Life) (7)	1400.92	+1.0	–	4.74	–	47.56	1386.57	1390.58	1392.06	926.80
66 Insurance (Composite) (7)	727.70	+1.9	–	5.20	–	28.34	714.42	714.21	712.05	521.91
67 Insurance (Brokers) (7)	1150.49	+1.2	6.55	5.47	20.32	47.09	1136.64	1138.69	1129.80	989.60
68 *Merchant Banks (11)*	475.33	-0.2	–	3.69	–	11.59	476.16	479.07	477.94	313.19
69 Property (49)	1214.50	+0.3	7.53	3.53	16.81	30.32	1211.19	1215.59	1218.45	1211.36
70 Other Financial (30)	332.35	+0.1	12.41	6.50	10.57	15.82	331.86	333.03	331.60	342.90
71 Investment Trusts (69)	1290.24	+0.3	–	2.73	–	25.23	1285.84	1292.12	1292.63	985.09
81 Mining Finance (1)	727.53	+0.2	10.26	3.70	10.95	22.25	726.24	737.79	741.64	546.43
91 *Overseas Traders (7)*	1508.20	-0.3	9.16	5.36	12.51	60.11	1513.01	1521.43	1534.70	1256.43
99 ALL-SHARE INDEX (697)	1175.95	+0.5	–	4.31	–	37.79	1169.73	1179.48	1186.76	913.85

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Dec 15	Dec 14	Dec 13	Dec 12	Dec 11	Year ago
FT-SE 100 SHARE INDEX‡	2358.5	+13.8	2362.9	2343.1	2344.7	2367.0	2386.2	2363.5	2351.4	1770.5

FIXED INTEREST

PRICE INDICES	Mon Dec 18	Day's change %	Fri Dec 15	xd adj. today	xd adj. 1989 to date
British Government					
1 Up to 5 years	116.33	-0.03	116.52	0.16	11.70
2 5-15 years	129.55	+0.02	130.38	0.86	13.38
3 Over 15 years	139.53	-0.31	139.68	–	13.64
4 Irredeemables	158.54	+0.21	158.20	–	13.46
5 All stocks	127.81	-0.01	128.35	0.52	13.01
Index-Linked					
6 Up to 5 years	140.81		140.80	–	2.79
7 Over 5 years	140.38		140.37	–	3.54
8 All stocks	140.29		140.28	–	3.46
9 Debentures & Loans	105.95	-0.03	105.98	–	10.92
10 Preference	84.99	+0.10	84.91	–	6.39

AVERAGE GROSS REDEMPTION YIELDS			Mon Dec 18	Fri Dec 15	Year ago (approx.)
British Government					
1	Low Coupons	5 years	10.29	10.31	10.27
2		15 years	9.67	9.66	9.55
3		25 years	9.57	9.58	9.12
4	Medium Coupons	5 years	11.18	11.17	10.63
5		15 years	10.05	10.04	9.76
6		25 years	9.69	9.69	9.26
7	High Coupons	5 years	11.32	11.31	10.75
8		15 years	10.25	10.24	9.91
9		25 years	9.81	9.81	9.35
10	Irredeemables		9.65	9.67	8.96
Index-Linked					
11	Inflation rate 5%	Up to 5 yrs	3.89	3.88	3.70
12	Inflation rate 5%	Over 5 yrs	3.62	3.62	3.76
13	Inflation rate 10%	Up to 5 yrs	2.95	2.94	2.41
14	Inflation rate 10%	Over 5 yrs	3.44	3.44	3.58
15	Debs & Loans	5 years	12.96	12.94	11.51
16		15 years	12.52	12.43	11.24
17		25 years	12.11	12.07	10.97
18	Preference		10.79	10.79	10.44

‡Opening index 2343.1; 10 am 2359.3; 11 am 2362.9; Noon 2360.8; 1 pm 2360.1; 2 pm 2360.7; 3 pm 2359.2; 3.30 pm 2361.6; 4 pm 2360.7 (a) 10.52am (b) 9.00am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	31	43	28
Corporations, Dominion and Foreign Bonds	0	9	32
Industrials	398	307	893
Financial and Properties	180	104	404
Oils	25	25	44
Plantations	1	2	7
Mines	62	19	79
Others	59	83	104
Totals	756	592	1591

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

● First Dealings Dec 18
● Last Dealings Jan 5
● Last Declarations Mar 22
● For settlement Apr 2

For rate indications see end of London Share Service

Calls in Tusker Res., Honorbilt, Lonrho, Oliver Res., Butte Mining, Holmes Protection, Ferranti, Thames Water, Trident Pet., Norfolk Grp., Leisure Invs., Amstrad.

LONDON TRADED OPTIONS

TRADING in the newly privatised UK water companies dominated activity on the London Traded Options Market yesterday, a market that is otherwise suffering from a seasonal slowdown. Interest in the FT-SE 100 index option was also brisk as a major institution closed down its positions before the year end.

The LTOM traded 49,421 contracts – the bulk of them put options where 40,359 lots changed hands, compared with 9,062 calls. Volume on the FT-SE 100 index option was at a high 26,965 which was divided between 22,348 calls and 4,617 put options. More than two thirds of the activity in the FT-SE 100 was accounted for by one institution shifting its holdings.

Activity in water options was heated as volume soared in the underlying shares following the disclosure by a French water company that it had acquired a stake in three UK water firms. The UK water package headed the most actively traded list on the LTOM when 7,497 contracts changed hands. These were mainly calls which traded 6,887 lots, the most active series being the March 1,600 call which saw a turnover of 2,165. Put options activity was not so high at 610 contracts.

Thames Water was the second most actively traded list with 1,728 contracts traded of which 1,362 were calls and 366 were puts.

Much of the volume in the UK water options package was traded by James Capel when it crossed a water package table top in March options. A table top is a little-executed trading strategy that is dependent on good liquidity in the options and underlying stocks. It is usually executed when market volatility is expected to rise.

Other active options on the LTOM were Trusthouse Forte which traded 1,135 on takeover fears, Ferranti which traded 1,108 contracts and British Airways where 977 lots changed hands.

The exchange's open interest was at 855,861 on Friday with open interest of 132,777 in the FT-SE 100 index option. Aside from the unusual activity in water and the FT-SE 100 option, volume this week is expected to be slow.

[illegible]

UK COMPANY NEWS

Acatos hit by interest rates and firm pound

By Jane Fuller

THE STRENGTH of the pound and high interest rates sent pre-tax profit of Acatos & Hutcheson, which makes edible oil and fat, sliding from £11.78m to £4.5m in the 12 months to October 1.

The 62 per cent fall came on turnover up 8 per cent to £260.66m. Losses were made on the UK retail operation and activities in Spain, which dragged down profits on the industrial side.

Mr Jim Weir, finance director, said sterling's strength piled on the pressure from imports, particularly margarine and vegetable oil from West Germany, the Netherlands and Belgium.

Some of the damage was inflicted by an interest bill of £2.91m, compared with last year's £1.83m. Mr Weir said the borrowings, which had taken gearing to 80 per cent, were mainly related to working capital tied up in supplies of such commodity oils as soya bean, palm and rape seed.

An effort had been made to cut costs, for example by reducing staff at the London and Liverpool sites.

This followed last year's transfer of some work from various sites to London. Mr Weir admitted that a number of shortcomings had arisen.

Earnings per share plummeted to 8.8p from 24.7p.

The final dividend is 3.5p, making a total of 7p (9p).

As the disappointing results were expected, the shares slipped just 3p to 152p yesterday.

● COMMENT

While interest rates remain against the company, the pound's slip has already started to help it compete against imported products. It has refocused its efforts on three areas: bottled oil, yellow and white fat and, having admitted past mistakes, it should be able to improve performance. As it has already shown some recovery from an interim profit dive to little more than £1m, profit forecasts for the current year range from £7m to £9m (compared with 1988's £11.8m), giving a prospective multiple of between 9 and 11.5. After falling a long way since the heady days of 500p-plus shares before the 1987 market crash, there is a feeling that the company's fortunes have bottomed out. But in a tough market, it will take hard evidence that the changes are working before disillusionment wears off.

Brasway marks time at £1.64m in first half

Interim taxable profits at Brasway, the West Midlands-based tube and bright bar maker and industrial oil blender, were unchanged at £1.64m.

Turnover in the six months to end-October was higher at £22.71m (£19.12m) for trading profit of £1.99m (£1.85m).

The interest charge rose to £352,000 (£210,000).

After tax of £573,000 compared with £572,000, earnings per share were unchanged at 1.42p

The interim dividend is raised from an adjusted 0.225p to 0.24p. The total payment for last year was 0.768p, adjusting for the scrip issue.

Hallwood Gp plunges into red in first quarter

Hallwood Group, the international financial services concern based in New York, has plunged into the red in the three months to October 31, the first quarter of its financial year.

From net profits of $1.28m, it has fallen to losses of $376,000 (£234,000). This was in spite of a substantial surge in revenues from $2.87m to $18.31m.

The company said that expenses in the first quarter had included a provision of $1.6m of interest on the company's 13.5 per cent subordinated debenture.

The annual interest payment of $1.6m was made in August for the three-month period.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Acatos & Hutch ......fin	3.5	-	5.5	7	9
Appletree ......fin	3	-	2.65	4.1	3.75
Beaverco § ......int	1.9	Feb 2	1.9	-	7.5
Berisford Intl ......fin	4.4	Apr 9	4.4	6.2	6.2
Brasway ......int	0.24	-	0.225*	-	1.52625
Bromsgrove Inds ......int	1.3†	Jan 19	1	-	2.75
Brunner Inv Tst ......fin	2.05	Apr 6	1.7	3.75	3.1
Crown Comms § ......fin	3.5	Apr 6	3	5	3
Doctus ......fin	2.4†	Apr 17	1.5	3.05	2
Gibbs Mew § ......int	2‡	Apr 6	1.75	-	6
Grainger Trust ......fin	4.05	-	3.26	5.25	4.2
Kleinwort Chart ......fin	3.175	Apr 9	2.3	4.25	3.25
Kynoch (G&G) ......fin	1	-	4.5	2	5.5
Peel Holdings ......int	3†	Apr 6	3	-	10
Southend Prop ......int	1.2	-	1	-	3
Strata Invs ......fin	1.15	-	0.7	1.15	0.7
Union Square § ......int	0.4	Mar 23	0.4	-	1.2

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ‡Unchanged property development dividend of 1p also declared.

Carron Phoenix agrees to £6.8m bid

By John Ridding

CARRON Phoenix, the Falkirk-based sink manufacturer, which in a previous life cast the cannon for Lord Nelson at Trafalgar, has finally succumbed to a French boarding party and is agreeing to a £6.8m takeover by Groupe Bene, a private company.

Like Carron, Bene is principally involved in the manufacture and sale of domestic sinks. It argues that the complementarity of the two companies' product ranges and production techniques will create a force which is well placed to compete in the European market.

In spite of its position as one of the UK's largest sink manufacturers, Carron Phoenix has had an unsettled history since it staged a management buy-out from the long-established Carron Company in 1982.

After coming to the USM at the beginning of last year, when it was valued at £13m, its shares have sunk from 161p to 38p before yesterday's 60p cash per share offer spurred them to 58p.

The principal reason behind the decline has been the impact of high UK interest rates on consumer spending and the downturn in the domestic housing market.

The effects are evident in figures released yesterday which showed a sharp fall in pre-tax profits from £1.51m to £227,000 for the year to end-September. Earnings per share fell 9.4p to 1.2p and the final dividend is being passed, leaving a total of 1.33p (4p).

According to Mr Roy Mitchell, chairman, the company's share of the sink market was maintained in spite of depressed sales and lower margins. There was also a sharp increase in administrative costs resulting from the acquisition of John Kelly, a manufacturer of catering equipment.

Bene has received undertakings to accept the offer in respect of 38.7 per cent of Carron's shares, including agreement from 31 which holds a 21.4 per cent stake. It is being advised by Charterhouse Bank. Carron Phoenix is advised by Hambros.

Johnson Matthey tax appeal likely

By Clare Pearson

Johnson Matthey, the precious metals and marketing group, is considering appealing against a High Court decision made on Friday by Mr Justice Vinelott on the deductibility for tax purposes of a £50m payment to Johnson Matthey Bankers five years ago.

Mr Justice Vinelott overturned a previous ruling by the General Commissioners for Income Tax and ruled in favour of the Inland Revenue against Johnson Matthey.

Johnson Matthey has never assumed any benefit from the earlier ruling in its accounts, and there will no need to make further provision against Johnson Matthey Bankers.

Successful player sells on his instruments

Peter Marsh on Bernard Eastwell's career, soon to be over after Fisons' bid for VG

A CHAPTER in the history of UK entrepreneurship was closed yesterday with the news of a £270.2m recommended bid by Fisons for VG Instruments, a leading scientific instruments company started 27 years ago by Mr Bernard Eastwell in a Sussex garage.

Mr Eastwell, VG's chairman, was yesterday feeling relaxed about the imminent takeover, which has won acceptance from BAT Industries, VG's majority owner. "I have had a good run for my money," he said.

Mr Eastwell, 62, started VG after he got fed up with his job designing vacuum equipment at Mullard, a UK division of the Philips electronics empire.

Showing astute vision and with a personality that manages to be both abrasive and kind-hearted at the same time, Mr Eastwell built up the Crawley-based company into a world player in scientific instruments. Last year it had sales of £133.6m.

Fisons, the pharmaceutical, instruments and horticulture group, has been stalking VG for some years.

When BAT, the tobacco-based conglomerate which has owned 69 per cent of VG since 1983, indicated a few months ago it wanted to dispose of its subsidiary, Fisons saw its chance.

Mr John Kerridge, Fisons' chairman and chief executive, said yesterday it was buying a very good company – "and one that we think we can genuinely add to".

Mr Kerridge said VG would be integrated into Fisons' existing scientific instruments operations, giving total instruments sales of some £250m a year. That is not including a further £320m or so a year of revenues which come from the distribution of other companies' instruments, mainly in the US.

The acquisition has thus taken one step further Mr Kerridge's vision of transforming his company – which at the beginning of the 1980s was a far-from-healthy agricultural products group – into a new business built up around the growth areas of drugs and analytical equipment.

At the same time, the VG purchase seems likely to lift Fisons' total annual turnover above £1bn, some £400m of which for the current year is coming from pharmaceuticals. The Suffolk-based group also has a small horticulture division with annual sales just under £100m.

For Mr Eastwell, a former physicist, the sale to Fisons ends a mercurial career in which he has presided over VG's rapid growth into a range of new fields tied in with instruments.

This is a $6bn-a-year international business, split up into dozens of different product areas.

Some of these are highly abstruse scientifically, but all are concerned with measuring to ever greater accuracies factors such as the concentration of chemicals in a mixture or the details of microscopic fissures on the surface of a microchip or turbine blade.

Bernard Eastwell – 'I've had a good run for my money'

The scientific instruments industry – the three biggest players are Perkin-Elmer and Hewlett-Packard of the US and Shimadzu of Japan – is growing at about 10 per cent a year with its biggest customers from businesses such as chemicals, pharmaceuticals, oil-prospecting and aerospace engineering.

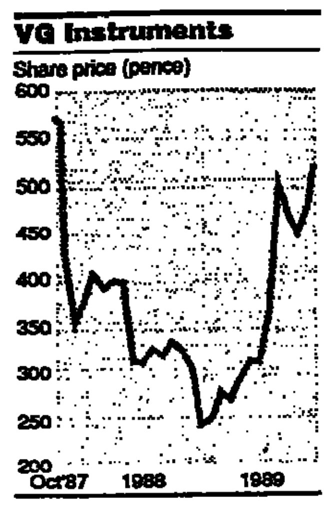
Since its inception, VG has split, amoeba-like, into some 30 different divisions specialising either in specific types of instruments such as microscopes and mass spectrometers or in other related areas such as data communication equipment and computer systems for laboratories.

The driving force in these moves has been Mr Eastwell, who, by a mixture of shrewd leadership and undisguised bludgeoning, has inspired sometimes heroic performances from his employees.

A significant number, too, were either sacked or found the going too rough – and, at the last count two years ago, about 20 of these had been sufficiently enthused by their time at VG to form their own UK companies in instruments or related fields.

"Bernard has been one of Britain's outstanding entrepreneurs," Mr Gordon Wilkinson, a UK consultant in scientific instruments, enthused yesterday.

Particularly in 1975-85 period, VG became known for meteoric profits growth, although the upward swing slackened off towards the end of the 1980s and in 1988 the company registered a 14 pre-tax profits fall to £19.1m.



That particular difficulty was explained by VG as resulting from increased competition and problems of assimilating the 1987 acquisition of Kevex, a Californian instruments maker.

In the past year, the group has seemed to the City to have got some of its problems under control and has started to gain plaudits once more.

Few stockmarket analysts, however, have seemed completely capable of understanding either the unusual personality of Mr Eastwell or the highly complex equipment which his company makes. Much the same has been true of BAT – which since it acquired its majority stake has left the business very much in the hands of Mr Eastwell and his senior colleagues.

Yesterday – amid promises from Fisons that it would attempt to leave untouched the highly decentralised, free-wheeling style of the separate VG divisions although it would exert tight overall management control to the company as a whole – Mr Eastwell was preparing to take his leave.

He will officially retire although he will become a non-executive director of Fisons' scientific instruments board. He said he planned to have more time for his hobbies of gliding and sailing "and to reflect on other things I would like to do".

BAT bid struggle costs Hoylake £30m to date

By Nikki Tait in Paris

HOYLAKE, the consortium which under the guidance of Sir James Goldsmith has been waging a bid battle against BAT Industries, the tobacco-based conglomerate, yesterday said that to date the struggle had cost it £30m.

This suggests that the costs are only just covered by the small 1.25 per cent share stake which it acquired in BAT before launching its bid last summer. On yesterday's price of 825p Hoylake's paper profit is about £24m.

The figure for costs was disclosed in Paris by Madame Gilberte Beaux, a long-time business associate of Sir James.

Hoylake's bid for BAT has lapsed while the consortium pursues certain essential regulatory clearances from nine state insurance commissioners in the US.

It also emerged yesterday that the Illinois Department of Insurance – which is currently hearing Hoylake's application to take over Farmers Group, BAT's US insurance subsidiary – has ruled that the consortium can seek depositions and documents relating to matters discussed at a meeting of BAT's advisers last month.

Details of the meeting came to light some weeks ago when a copy of the minutes was leaked to Hoylake by an anonymous source. At the meeting, the advisers discussed various possible courses of action, ranging from enlarging BAT via the acquisition of further tobacco or financial services assets, seeking a separate listing of BAT's US assets, or retaliatory action against Hoylake and its allies. BAT has since claimed that it does not intend to act on any of the ideas.

Nevertheless, the Illinois hearing order allows Hoylake and Axa Midi Assurances, the French-based insurance company which will buy Farmers if a Hoylake bid for BAT is successful, to take depositions from Mr David Anderson of Lazard Brothers, and any three other people to whom the memo was circulated.

Axa said yesterday that it thought the depositions would be sought from Mr Pat Sheehy, BAT chairman, Mr Michael Butt, head of Eagle Star, and Mr Henry Frigon, chief executive officer of Batus, in the US.

Hoylake and Axa can also request any documents relating to background work done by advisers on any of the ideas discussed.

John Swan dives

Pre-tax profits at John Swan & Sons, a livestock auctioneer and estate agent, declined to £195,000 (£225,400) on turnover of £647,400 (£632,600) in the half-year to October 31. After tax of £68,600 (£78,600) earnings per share were 18.9p (21.8p).

Adia extends offer for Hestair

By John Ridding

ADIA, the Swiss personnel services group, is extending its offer for Hestair after receiving just 0.3 per cent acceptances by last weekend's first closing date.

Adia, which last week saw its £167m offer for its UK counterpart topped by an agreed bid by BET, the industrial services group, now holds 8.9 per cent of its target.

It is offering 282p per share and said it will consider its position in the light of BET's 325p per share bid.

Mr David Hargreaves, Hestair's chairman, described the level of acceptances as "pitiful" and said that in the light of BET's offer it was unclear why Adia had extended its offer until January 3.

However, the market is waiting to see if Adia will return with a higher offer and Hestair's shares closed at 332p yesterday, above BET's offer.

Mr Nicholas Wills, BET's chief executive, said that its existing businesses offered "a great deal of overlap" with Hestair's employment agency operations and that it had been considering entering the market for about a year.

BET's shares fell 18p to 256p, reflecting concern that shares would be issued to finance the acquisition. But Mr Wills said apart from the share alternative included in the offer no new shares would be issued in the UK.

Doctus shares up as profits advance 83%

By Jane Fuller

DOCTUS, the management consultancy, improved pre-tax profits by 83 per cent to £8.44m in the year to September 30.

The shares closed 12p higher yesterday at 107p.

Turnover advanced 48 per cent to £132.13m, while earnings per share showed an 86 per cent increase to 16.03p (8.62p).

Interest payments, however, rose from £400,000 to £2.8m.

Figures for the previous year were restated because of the merger accounting of the Prospective Group, acquired in June. Prospective is a marketing services consultancy which grew out of the Pineapple dance studios.

Mr Brian Blake, Doctus chairman, said margins had been improved by, for example, closing Prospective's head office in Park Lane, London and removing a layer of management. It had also applied its own medicine, which included reducing stock and cutting debtor weeks.

In New York, three promotional companies had been combined to produce one catalogue for such things as leather-bound gifts and pens.

In the UK, the squeeze on company profits had created work for the company, he said. It had forward work for 23 weeks.

But if a real recession came, it would be cushioned by its two thirds overseas earnings in 18 countries, with the US figuring strongly.

A proposed final dividend of 2.4p makes a total of 3.05p (2p).

Panel extends timetable for Dixons

The Takeover Panel has granted Dixons, the electrical retailer, a few extra days over the Christmas period to produce its defence document replying to the hostile £588m bid from Kingfisher, the retail group.

Under the takeover timetable Dixons was due to post its defence document on December 26, which is a public holiday in the UK. Dixons, if it so wishes, will now be able to delay its document until December 29.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims- Brathwaite, Broadwell Land, Faupel Trading, Ferromet, Harmony Lei sure, N&C, Trust Pg Rober, West Trust, Westpool Investment.

Finals- Greenall Whitley, NFC.

FUTURE DATES

Beaverco	Dec. 22
Danbury	Jan. 11
Jones Stroud	Jan. 15
Sommerville (William)	Jan. 15
Sterling Industries	Jan. 16
Plessey	
Williams (Rex) Leisure	Dec. 22

UK COMPANY NEWS

Cautious Peel static at £9.5m

By Andrew Bolger

PEEL HOLDINGS, the property group, yesterday reported pre-tax profits increased by only 2.7 per cent to £9.51m in the six months to September 30.

Turnover, however, increased from £14.25m to £37.59m, boosted by January's £304m acquisition of London Shop, the property investment company. That was preceded by a £121m rights issue in December which almost doubled the number of shares in issue. Accordingly, earnings fell by 48 per cent to 8.71p (16.77p).

Mr John Whittaker, chairman, said the period had been one of consolidation, with the economic outlook giving rise to doubts about prospects for property, stemming principally from high interest rates, accelerating building costs and a forecast increase in surplus lettable space.

He added: "New development projects are only being undertaken if they do not increase the overall exposure of the group and whenever possible the group will concentrate on the redevelopment or refurbishment of properties already held in its own portfolio."

Gearing was still over 100 per cent but properties worth £30m were sold and disposals would continue to reduce borrowing levels.

High interest rates reduced demand at Peel's housebuilding companies. Work in progress was consequently under tight control.

The interim dividend is maintained at 3p.

● COMMENT

Peel geared up to acquire London Shop, which increased its exposure to the retail sector. High interest rates and consumer spending trends have not exactly helped the enlarged group, which explains why the shares – which have been as high as 327p this year – yesterday eased 1p to 244p. Peel is battening down the hatches, pushing ahead with disposals to reduce borrowings, avoiding new developments and concentrating on maximising rentals by tight management. Forecast profits of £20m for the full year put it on an undemanding multiple of 13.5. However, any downside is limited by the value of net assets per share, which is expected to increase to about 450p (395p) by the year-end.

Singapore sale for Standard Chartered

Standard Chartered has agreed to sell the lease on its Singapore building for $800m (£258m) cash, bringing it a further much-needed capital boost.

The 42-storey building in Battery Road is being bought by DBS Land, a Singapore-based investment holding company.

Standard Chartered will continue to occupy about a quarter of the floor area.

Court approves LMB write-off

By Raymond Hughes, Law Courts Correspondent

THE HIGH Court yesterday approved a proposal by Lloyds Merchant Bank to reduce its £110m capital by writing off a deficit of almost £35m on its profit and loss account.

In evidence read to the court Mr David Horne, the bank's managing director, said that during 1986 LMB, which had been set up the previous year, had made a pre-tax trading loss of £21.6m and had continued to trade at a loss until the end of 1987.

In 1987 it had withdrawn from market-making in Eurobonds as a result of trading losses and the perceived uncertainties of that market.

Restructuring had enabled LMB and its subsidiaries to concentrate their activities on corporate finance, development capital, investment management and stockbroking.

The group continued to trade profitably: its profits at the taxable level for the first nine months of 1989 were £2.3m.

Mr Horne stated that, having regard to the restructuring and the improvement in LMB's financial position, the directors considered it to be in the best interests of LMB and its shareholder, Lloyds Bank, that it should be restored to a position where it was able to resume paying dividends.

LMB was solvent and able to meet its liabilities to third parties, currently totalling £140m, Mr Horne stated.

NEWS DIGEST

Interest rates hit Beaverco

HIGH INTEREST rates together with very competitive trading restricted Beaverco's performance in the half-year to September 30.

Pre-tax profits of this USM manufacturer of plastic foam, furniture and sports equipment, fell from £1.06m to to £966,000 in spite of an increase from £19.05m to £27.91m in turnover.

Although the immediate order book was strong, Mr JA Lees, chairman, said the board continued to be particularly concerned by the high level of interest rates and the continued pressure caused by the reduction in consumer spending.

Interest payments in the period amounted to £743,000 compared with £355,000; £338,000 (£370,000) was set aside for tax leaving earnings of 7.2p (9.3p). The interim dividend is maintained at 1.9p.

Gibbs Mew flat at £894,300

A marked slowdown in the rate of public house disposals and a sharply reduced contribution from its Bridger Properties side meant interim profits at Gibbs Mew, the USM-quoted brewer and property development group, fell from £1.55m to £894,300.

Turnover in the six months to end-September declined to £7.68m (£10.1m).

Directors said, however, that the result was not unexpected and arose from "timing differences".

Property disposals across the company's two divisions put in a total of £676,400 this time, down from £986,700, while Bridger contributed £89,800 (£616,800).

Earnings per share worked through at 14.25p (21.92p), but the interim dividend is raised 0.25p to 2p.

Marginal decline at Victoria Carpet

Victoria Carpet Holdings, which makes and distributes carpets, saw pre-tax profits marginally fall from £1.1m to £1.08m in the six months to September 30. Turnover was also down, from £19.71m to 19.45m.

The company said that the carpet industry had experienced considerably reduced demand in the UK and Australia in the period and that current trading conditions remained difficult.

Earnings were a little down at 10.93p (11.5p) per share.

BB & EA dips to £280,000

British Building and Engineering Appliances, the maker and hirer of scaffolding and other building equipment, blamed high interest rates for its pre-tax profits downturn from £415,000 to £277,000 in the half year to September 30.

Turnover was a lower £3.5m (£3.47m) and the directors said that the next six months of trading would also be difficult.

Earnings per share fell to 14.8p (22.3p) and the interim dividend is halved to 1p.

G&G Kynoch shows losses of £0.37m

G&G Kynoch, the Banffshire-based woollen cloth manufacturer, tumbled into the red in the year to August 31. From pre-tax profits of £235,000, the company fell to losses of £374,000.

Although turnover rose to £4.9m (£4.78m), the change in stocks of finished goods and work in progress was down at £57,000 (£480,000).

Operating profits declined to £12,000 (£422,000) and interest payable more than doubled to £415,000 (£187,000). In addition there were exceptional costs of £75,000 (nil).

Losses per share came to 67.1p (earnings 30.7p) and the final dividend is a proposed 1p (4.5p) to make 2p (5.5p) for the year.

Grainger Trust up 23% to £7.3m

Grainger Trust, a property investment and trading group, increased pre-tax profits by 23 per cent to £7.3m for the year to September 30.

The result was achieved despite interest payable leaping from £6.49m to £15.86m.

Gross rental income was £9.48m (£6.1m) and trading profits amounted to £19.47m (£11m). Investment and other income totalled £283,000 (£191,000).

Earnings per share came out at 28.2p (20.4p). The proposed final dividend is 4.05p making a total of 5.35p (4.2p).

UK COMPANY NEWS

Southend Property downturn

A RISE of £1.68m in rental income to £7.85m failed to halt a decline in profits at the pre-tax level from £4.84m to £4.2m at Southend Property Holdings in the six months to September 30.

Sales of dealing properties were only £5.99m this time compared with £36.8m, but, to counter that, non-property trading sales contributed £13.41m (nil) to turnover and Australian mining sales were more than doubled at £2.87m (£1.15m).

Directors said the rise in rental income reflected the board's declared policy of creating an investment portfolio with substantial income and capital growth potential.

The indication was that rental income for the full year would be in excess of £16m, against £13.12m in the corresponding period.

They said that the group was well funded, with the majority of its borrowings being at favourable fixed rates of interest.

The potential for income growth in the existing portfolio was substantial and the directors expected further consistent progress in property investment.

Interest this time took £5.57m (£4.56m).

The interim dividend is raised from 1p to 1.2p although earnings per share have fallen sharply from 12.37p to 2.15p.

Disposal of radio company stakes yields £4m exceptional profits

Crown Comms doubled at £6.25m

By John Ridding

THE DISPOSAL of lucrative radio investments, which yielded net profits of more than £4m, lifted Crown Communications to pre-tax profits of £6.25m for the 12 months to end-September, double last year's £3.12m.

The shares gained 23p to close at 272p.

Mr Christopher Chataway, chairman, described the period as one of rapid progress on many fronts. IRS, the national advertising sales company, had its most successful year to date and now represented about 50 per cent of the network.

He added that "the year's most important development may well prove to have been the acquisition of a 35 per cent stake in RFM", the French radio network, which now covers about 60 per cent of the country.

In the UK, LBC, the group's London news radio station, achieved only flat profits after a difficult first half in which revenues fell by 10 per cent. This was said to reflect the defection of adult and older listeners to Capital Gold, the AM service of Capital radio, Crown's London rival.

Since the year end, Crown has responded by splitting its own broadcasting frequencies to provide two talk stations. Mr Chataway said both had been well received and London Broadcasting's sales were up by about 25 per cent in the first quarter.

Crown's associate radio interests increased their contribution to group pre-tax profits from £0.75m to £1.57m.

A reorganisation of the group's radio portfolio, and in particular the sale of its stake in Piccadilly Radio, now Trans World Communications, yielded the investment profits. After the costs of splitting its frequencies and other charges there was an exceptional credit of £2.61m (£290,000).

Group turnover increased from £8.63m to £20.35m. Earnings per share rose from 12.1p to 16p and the proposed final dividend is increased from 3p to 3.5p giving a total of 5p (3p).

● COMMENT

Stripping out the exceptional benefits arising from the disposal of radio investments, the increase in Crown's profits is 22 per cent, relatively modest compared with the performance of its colleagues in the commercial radio sector. But the difficulties were restricted to the first half and, with its split frequencies now up and running, London Broadcasting should add its rightful share to group profits. The increased audiences delivered by the new stations should also offset the slowdown in advertising revenues which has prompted a sharp fall in Capital's share price over the last few months. With even more exceptional benefits expected this year, pre-tax profits should reach £8.5m, placing the shares on a multiple of about 14. The strength of its radio portfolio provide support for this rating despite the less buoyant short term outlook for the sector.

Acquisitions help prompt sharp rise at Bromsgrove

By Richard Tomkins, Midlands Correspondent

A COMBINATION of acquisitions and organic growth produced another strong rise in interim profits at Bromsgrove Industries, the acquisitive Midlands-based mini-conglomerate chaired by Mr Bijan Sedghi.

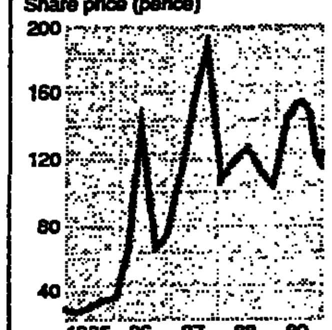
In the six months to September 30, the pre-tax figure rose by 49 per cent to £3.32m (£2.22m) on turnover up from £20.55m to £33.67m.

Acquisitions accounted for about 60 per cent of the profits growth, with four business joining the group during the period: James Naylor, Alpha Zinc, Birmingham Battery and Forth Tool & Valve.

The rest of the growth came from existing activities, where Bromsgrove has, over the last few months, reduced its exposure to consumer industries through a series of disposals.

Bromsgrove Inds.

Share price (pence)



A rise in gearing to 46 per cent took the interest charge up from £2,000 to £530,000, but Mr Sedghi said borrowings would probably be wiped out by property disposals before the year-end.

Mr Sedghi detected no weakening of demand in the automotive sector, which accounts for 40 per cent of sales. Continued strength in demand for the group's aerospace and marine products and specialist plastics led him to expect a good second half.

In spite of the larger number of shares in issue as a result of acquisitions, earnings per share were ahead 22 per cent to 6.21p, and the interim dividend is raised to 1.3p (1p).

Triple purchase for Scholes

By Andrew Bolger

SCHOLES GROUP, the electrical products manufacturer, has agreed to buy three companies from BICC, the cables and construction group, for £11.25m.

The Preston-based companies – Dorman Smith Switchgear, Dorman Smith Engineering and BICC's Britmac – comprise BICC's industrial switchgear and cable accessories business. Scholes said the acquisitions would move the company more into industrial switchgear and reduce its reliance on the cyclical housing market.

Scholes also announced that it was strengthening its links with Asea Brown Boveri, the Swiss-Swedish electrical engineering group.

Scholes said that in view of the success of long-standing joint ventures between the companies, it had decided to give ABB the right to supply the Dorman Smith companies with miniature circuit breakers, moulded case circuit breakers and wiring accessory products.

Appletree advances to £1.9m

APPLETREE Holdings, the principle activities of which are the prepacking and marketing of agricultural produce and the processing of beef, reported pre-tax profits up from £1.5m to £1.85m in the year to end-October. Turnover in the period fell from £88.9m to £68.26m.

A breakdown of the figures shows that Appletree Holdings turned round from a loss of £772,000 to a profit of £400,000 and Appletree Fresh Produce increased profit by £45,000 to £925,000. But Kildare, the beef processors, tumbled from £2.62m to £529,000.

On the other hand there was an absence of any losses (£1.23m) this time from Hunters Foods which was sold in November 1988.

Surplus on the sale of Hunters to Dalgety was shown as an extraordinary item of £9.01m.

Other items were a gain on disposal of land of £838,000, a loss on disposal of property of £138,000 and costs of £101,000 relating to abortive disposal activities.

Tax took £302,000 (£229,000) leaving earnings per share at 8.71p (7.21p). The final dividend is a proposed 3p (2.65p) making 4.1p (3.75p) per 10p ordinary share.

23% decline to £1.41m at Union Square

Union Square reported pre-tax profits 23 per cent lower at £1.41m, against £1.84m, for the six months to end-September. Turnover fell from £7.62m to £6.84m.

Mr David Thompson, chairman, said that the cashflow impact of high interest rates on the property development and investment activities of the group had been cushioned by the strength and profitability of the company's estate agencies. The group's two residential agencies increased profits.

Earnings per share for this USM-quoted company, formerly known as Glentree, came out at 1.5p (2p) and a maintained interim dividend of 0.4p is declared.

Warm weather slows growth at Amberley

Amberley Group, the building preservation specialist, posted a small increase in pre-tax profits – from £203,000 to £211,000 – in the six months to September 30, its first set of interim results since joining the USM in March.

Turnover showed a fractional downturn from £1.83m to £1.82m.

The directors said they thought that the absence of growth was due to a reduction in customer demand caused by the unusually prolonged spell of warm, dry weather in most of Europe throughout the spring and summer.

Earnings slipped to 1.8p (1.9p) per share and there is no interim dividend.

Colorgen cuts deficit to $220,000

Colorgen Inc, the Massachusetts-based maker and seller of computerised colour matching systems, cut its losses by $99,000 in the year to June 30.

This USM-quoted company incurred a deficit at the taxable level of $220,000 (£137,000), against $310,000 last time.

However Mr John O'Brien, chairman, said that the figure did not represent the sales announced in July. Had these been included, he said, the group would have achieved break-even.

The sales will now be accounted for in the first half of 1990.

Net sales were up at $3.9m ($2.64m) and losses per share were 1.5 cents (2.1 cents).

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FINANCIAL TIMES SURVEY

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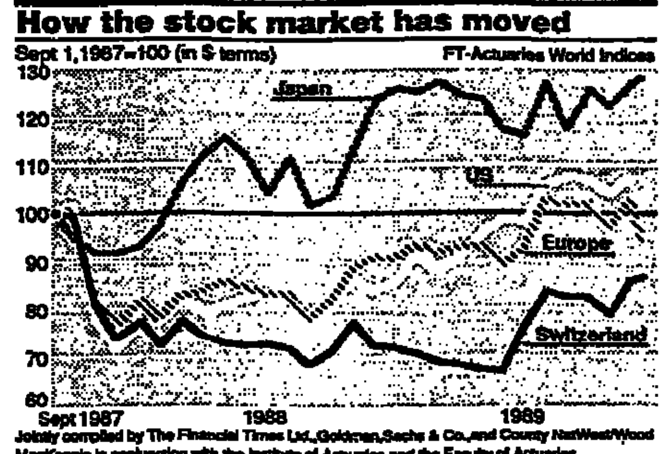
	Capital	Capital/assets ratio (%)	Profits	Assets
1 Union Bank of Switzerland	6,715	6.1	726	110,760
2 Swiss Bank Corporation	6,055	5.9	623	102,446
3 Crédit Suisse	4,785	6.4	523	75,388
4 Swiss Volksbank	1,318	5.7	104	22,965
5 Zurcher Kantonal Bank	886	3.8	55	23,176
6 Bank Leu	858	8.7	39	9,876
7 Banque Cantonale Vaudoise	408	5.5	47	7,479
8 Banca della Svizzera Italiana	400	6.5	45	6,106
9 Luzerner Kantonal Bank	340	4.8	21	7,090
10 St Gallische Kantonal Bank	303	4.1	n.a.	7,440

Source: The Banker

How the stock market has moved



Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co., and County NatWest/Wood MacKenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries.

CONTENTS

Swiss Banking

Finance and Investment

The confidence of the banks is bolstered by a rise in profits as they face exterior challenges, writes William Dullforce. Among the factors that are hastening change are the EC's move towards a single market for financial services, and the money-laundering scandal.

Apprehension spurs reform

AT THE end of a decade of deregulation and intensified competition on world financial markets, the conservative Swiss are at last accelerating their efforts to improve the efficiency of their finance centre and to refurbish its image.

These efforts have also become more concerted in 1989. It is true that the bankers' long-running dispute with Mr Otto Stich, the unyielding finance minister, over the Federal stamp duty on securities transactions remains unresolved, and indeed threatens to reach an angry political crescendo in a national referendum. But in other matters the Government, the regulatory authorities and the banks have begun to strike compromises in true Swiss style.

Underlying the quickened pace of reform is a fear, partly engendered by the recent weakening of the Swiss franc, that Switzerland could be marginalised as a financial centre. Other, more specific factors hastening change include the European Community's move towards a single market for financial services, and the "Kopp affair", the money-laundering scandal which a year ago provoked the resignation of Mrs Elisabeth Kopp, the justice minister and Switzerland's first woman cabinet minister.

Indications of the faster pace include the stepping up of activity by the Cartel Commission and the Banking Commission. In addition, top managements in the big banks appear to have changed emphasis. After suffering some bruising in their foreign expansion projects, they have decided to devote more attention to their home turf and to promoting Switzerland as a financial centre.

Cynics will highlight the impact of the Kopp Affair. It has strongly affected opinion in the public and among Swiss legislators, who have become very concerned about the Confederation's international image. Mrs Kopp has been absolved of any criminal act, but she faces trial in February on charges of breaching official secrecy with the telephone call, in which she warned her husband that a company, of which he was a director, was being investigated in connection with a drugs money case.

With unwonted speed and within a year of Mrs Kopp's resignation, the twin-chamber parliament has passed a Bill – ironically enough, introduced by Mrs Kopp – making money-laundering a crime. In principle the changes to the penal code do not weaken the secrecy the banks provide to normal customers – or even to those depositing money which has evaded the attention of domestic tax authorities.

Banks will have to sharpen their systems for determining the origin of the funds placed with them, and be prepared to cooperate with legal authorities in cases involving money derived from drugs traffic or other criminal activities. The effect of the legislation is to bring Switzerland into line with what is becoming common practice abroad.

Pressure for Swiss adjustment is also coming from the European Community's decision to put in place a single financial services market by the second half of 1990. Capital would then be able to move freely between Switzerland and the EC as well as within the Community.

So far the EC's own hesitations make it difficult for the Swiss to assess with any precision the extent of the changes they will be forced to make – or can perhaps manage to resist. Brussels has still to decide on some fiscal control measures. One, on the exchange of information on tax matters between member states, is of prime importance to Switzerland. Banking secrecy currently prohibits Swiss banks from passing on information about customers' accounts whose contents have slipped through the nets of tax authorities.

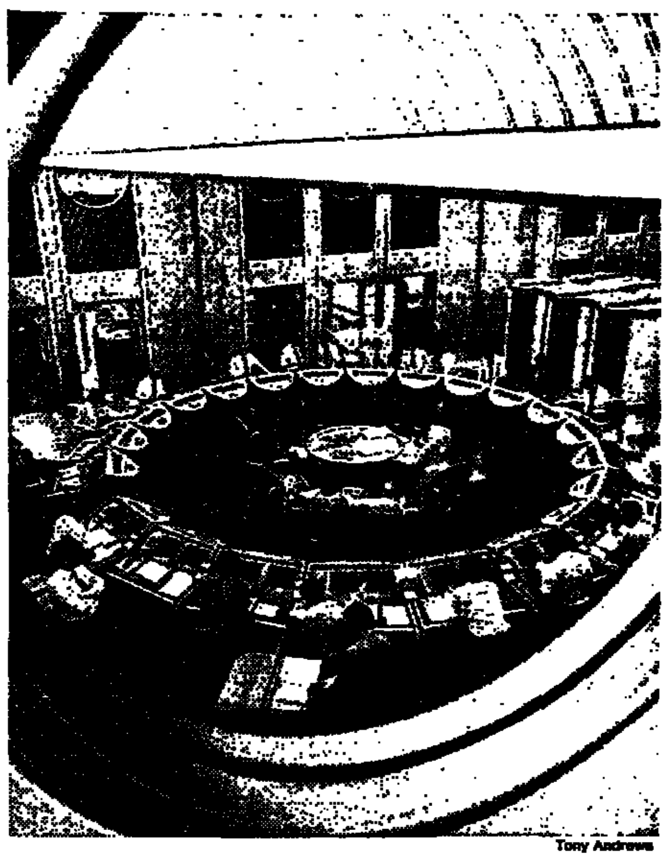
Nevertheless, if some still hope that Switzerland can continue to be a *Sonderfall*, or special case, as regards banking secrecy, the Swiss have already started to harmonise other stock exchange and banking practices in line with those coming into effect in the EC. They are also speeding up modernisation, to ensure that the Swiss market can compete at the technical level with London, Frankfurt, Paris and Amsterdam.

In October, an agreement providing reciprocal, free establishment rights for non-life insurance businesses was signed with Brussels. Deals are being negotiated on mutual recognition of investment and unit fund rules and bank reporting requirements. Swiss banks foresee that they will have to improve on current practice and conform with the EC demand for consolidated reports. In addition, their right to maintain hidden reserves is at stake.

The Banking Commission has already issued new directives which will force the banks to report allocations to profits from these reserves, if they exceed more than 3 per cent of their own capital and 30 per cent of net earnings. In explaining its move, the commission pointed to the large losses that the Big Three Swiss banks – Union Bank of Switzerland, Swiss Bank Corporation and Crédit Suisse – had suffered on their London operations in 1987, but which had not been shown in their annual reports.

Even more dramatic changes have been provoked by the Cartel Commission which, in April, called on the banks to scrap or amend 19 price-fixing practices or competition-excluding arrangements. The banks complained that the full package would amount to a London-style Big Bang with serious adverse effects.

They have complied with 10 recommendations, reached compromises on five others, but have stood out against four key items, including brokerage fees and restrictive practices by the Big Bank syndicate which dominates the underwriting of Swiss franc bonds. The Government now has to decide whether or not to enforce the Cartel Commission's proposals.



Tony Andrews

The Geneva stock exchange

The big Swiss banks' renewed concern for their own backyard has been most clearly expressed in projects for improving the stock market. First, they have put their weight behind the project to establish by the middle of 1991 a fully electronic Swiss exchange.

Second, by changing policy and backing Federal control of the stock market against the existing system, which subjects the exchanges to cantonal legislations, they hope to ensure that the Swiss securities market, concentrated on Zurich, Geneva and Basle and organised on a nation-wide basis, can hold its own internationally. But this means leaving the four smaller exchanges to their fate.

Third, they have been promoting the virtues of self-regulation. A takeover code has been issued and improvements have started to be made in the information available on prices and turnover, which, it is now acknowledged, has been completely inadequate for a market with international pretensions.

These more vigorous efforts to knock the Swiss financial centre into shape are not only a reaction to deregulation abroad and increased competition from a frontier-less EC. Current domestic developments have also caused Swiss bankers to start worrying about tremors in some traditional pillars of their success. Switzerland has been a haven of low interest rates, low inflation, political stability, banking secrecy and a strong franc – and the banks have long thrived on the monies provided by depositors at next to no cost.

Now, interest-free deposits are drying up and the other ingredients, perhaps only temporarily, seem to be less sure. Swiss Bank Corporation recently looked at how a mixed batch of Swiss and foreign customers had been placing their savings over the past nine months. On average, half had gone into long-term, high-interest accounts; 20 per cent had been invested in bonds; 15 per cent in money market paper; and 15 per cent in equities. None kept money in current or low-interest accounts.

Many Swiss bank customers have become financially sophisticated. The banks no longer benefit from a pool of cheap money, and have refinancing problems. They have constantly referred to the higher cost of capital in justifying an unwonted series of increases in mortgage rates this year.

Higher housing costs helped to push inflation to a 4.5 per cent annual rate last month, suggesting that the December-to-December increase in consumer prices will be more than 4 per cent this year. The prospect of accelerating inflation had already led the Swiss National Bank (SNB) to tighten monetary policy, which in turn has pushed short-term interest rates to over 7 per cent.

Since May, when the rates settled down at their new level, the trade-weighted value of the Swiss franc has risen by some 4 per cent, but this has been only a partial recovery from the decline of more than 12 per cent in the previous 18 months.

In the immediate future, at least, the priority given by the SNB to containing inflation and the bankers' concern that the currency should continue to be seen as an attractive investment vehicle are likely to coincide.

All in all, the current mood in Swiss banking is one of alertness and determination to cope with exterior challenges rather than anxiety. Moreover, confidence has been bolstered by what looks like being a substantial double-digit rise in bank profits this year.

In spite of its having been another record year . . .

The advantages are fading

THE SWISS banking community expects to break all records again in 1989.

The big five banks have already said they expect better results than in 1988, when their net earnings were up by between 3.5 and 7.6 per cent – and down by over 25 per cent in the case of Bank Leu.

The same acceleration seems likely for smaller institutes, many of which have said as much this autumn. National Bank figures show that the combined balance sheet assets of 358 banks rose by 7 per cent in the 12 months up to this September. At the same time as a jump in loans, there has also been a marked improvement in commission income off the balance sheet.

Mr Robert Studer, chief executive of Union Bank of Switzerland, has forecast "further positive development" for his bank. And an analysis by Bank Sarasin foresees growth of over 10 per cent next year in the profits of UBS and the two other leading banking groups, Swiss Bank Corporation and CS Holding (Crédit Suisse).

The banks have largely recovered from the 1987 stock market crash. Domestic business is flourishing despite tighter interest margins. Foreign operations are also generally healthy, the big banks having come to grips with any set-backs in London or New York activities. In spite of the occasional glitch, such as SBC's losses from the German Co-op affair, the overall quality of credit portfolios is high, and there is no serious threat from sovereign-risk defaults. Given all this, it may seem that Swiss bankers are well-versed in a practice known in German as "lamenting without suffering".

Particularly in the past few months, many of them have been complaining about their lot. As Swiss Bankers' Association chairman Mr Claude de Saussure puts it: "Today, you always hear two claims about Swiss banks – one is how well they are doing and the other that they are in a crisis."

While Swiss banking is far from crisis-ridden, it is not without its problems. Some are temporary and unavoidable, and result from the current financial environment.

High interest rates have led to a large shift in client funds, from classical savings and deposit accounts into more lucrative investments, a move which has made loan re-financing more expensive for the banks and necessitated a series of very unpopular raises in the mortgage rate. Another problem has been the fall in income from capital-market issues, following the decline in the floating of Swiss-franc bonds by foreign borrowers.

At the same time, the advantage Switzerland had as a financial centre has largely disappeared. Mr Walter G Frehner, SBC chief executive, points out that other countries have gone through a phase of deregulation and expansion over the past few years. And improved international stability has made the Swiss safe haven rather less necessary. "Today Switzerland is just one financial centre among others," says Mr Frehner.

What bothers him and other bankers is what they see as additional obstacles being put in their path by government.

The main point at issue has for years been the stamp duty on securities transactions, which has lost Switzerland a lot of business, especially to London and Luxembourg. While the federal council, the nation's coalition cabinet, quite sees the need for a change here, it is unwilling to lose the whole of the SFr400m involved without some sort of compensation in the form of new taxes.

The banks do not agree with some of the alternatives foreseen by Dr Otto Stich the finance minister. The whole matter currently lies in the toils of parliamentary procedure. A commission of the National Council, the country's lower house, came up this summer with a proposal including some compensatory taxes – but excluding the suggested tax on fiduciary accounts to which the banks particularly object. This month a commission of the States Council (upper house) has presented a proposal of its own which falls even shorter of the minister's wishes.

The banks are also at odds with the Federal Cartel Commission, which recommends the scrapping of a number of inter-bank convention agreements on standard fees. The Bankers' Association had agreed to 10 of the 19 proposals made in April by the commission which, for its part, has since declared itself prepared under certain conditions to drop five other demands. It continues, however, to advise the finance ministry to act in the four remaining cases.

This would mean the abolition of agreements on standard fees for safe-custody accounts, minimum brokerage and documentary-credit charges, as well as the opening up of the big banks' issue syndicate for foreign borrowers' Swiss franc bonds.

As well as keeping up its opposition to the commission's remaining demands, the association has called on the Federal Court to enable it to inspect unpublished documents on which the cartel commission based its decisions.

Opposition also comes from the Association of Swiss Stock Exchanges. This has announced new brokerage conventions to come into force on January 1 – including massive increases in the minimum fees.

Dissatisfaction with "Berne" is also being voiced by foreign bankers on a different point. This is levelled at a recommendation by the finance ministry which would subject certain finance companies to the provisions of the Banking Act. Apart from objections that the proposals are unclear and cannot simply be decreed without application to parliament, the Association of Foreign Banks in Switzerland expresses its fears that this could mean the approximately 50 firms in question would either become direct competitors to existing banks – or just move part or all of their business abroad.

Not that the banking community is opposed to all new developments. The new money-laundering Bill, just passed by the lower house, finds the approval of the Bankers' Association which has, itself, been responsible for administering a due-diligence code since 1977. And the banks are not unnaturally pleased with a move to accept subordinated loans as part of their equity coverage.

At the same time, however, the Swiss Banking Commission is calling for suitable backing for such off-balance-sheet operations as currency futures transactions and subscription commitments in connection with securities issues. Furthermore, the commission insists that, in future, all withdrawals from hidden reserves, such as those which many Swiss Banks made to offset losses arising from the 1987 stock market crash, must be published.

In spite of this long list of new demands on Swiss banks, nobody is expecting any serious short or medium-term setbacks to their continuing success. With a current yield of almost 3.5 per cent, they are certainly the most inviting stock category on the Swiss equities market.

John Wicks

PRIVATE BANKING

Tailor-made for individuals

TWO prestigious consulting agencies have recently advised the Swiss that private banking, or managing the wealth of private individuals, is where their competitive advantage lies and where they should concentrate resources.

Arthur Andersen considered the future of the big Swiss banks, "universal" institutions offering a full range of services, lay in securing places as global players on the world financial scene. But other Swiss banks could best flourish by providing "tailor-made" asset management services.

Confirming that Switzerland is the true home of private banking, McKinsey estimated Swiss banks had between SFr1,300bn and SFr1,500bn ($800bn-$930bn) under management, equivalent to between a third and a half of the world offshore private banking market.

McKinsey's estimate corresponds to the ball-park figure of around SFr1,500bn, given two years ago by Mr Georges Blum, of Swiss Bank Corporation (SBC). Foreign bankers contend some institutional money is blended into the figures. Since, in Switzerland, "private" equals "secret", it is impossible to know; but Swiss bank analysts believe the large bulk does indeed belong to private persons.

About half the amount is estimated to be under management in the Big Three banks – Union Bank of Switzerland, SBC and Crédit Suisse – but, as one foreign banker trying to penetrate the market acknowledged, the standards of service which make Switzerland special are still set by the Geneva private banks. Pictet and Lombard, Odier, the biggest, manage between $20bn and $25bn each, although, again, some of the money comes from the institutional business, into which both have been expanding.

Geneva and Zurich are not the only Swiss specialist centres. In Lugano, Banca del Gottardo, owned by Sumitomo Bank of Japan, is particularly innovative in developing investment products for clients; while Banca della Svizzera Italiana has even gone on to the offensive in the US, where it recruited Mrs Louise Gunderson, head of Chemical Bank's private banking operation in New York, and most of her staff.

Switzerland's primacy in international private banking is attested to by the number of foreign banks that have established bases there to do just such business. American Express bought Trade Development Bank, on which it is focusing a worldwide campaign for the custom of high net-worth individuals.

Mr Edmond Safra, who sold TDB to American Express, moved back to Geneva under the Republic New York label in 1988, after his five-year non-competition pledge expired. Lloyds Bank of the UK made Geneva the headquarters for its private banking business two years ago.

Styles differ, particularly between the Americans and the Swiss, and a Swiss address does not ensure success. One or two foreigners, including Chemical Bank, have quit. Moreover, the worldwide competition for wealthy customers has reached such a pitch that even the Swiss are having to adjust their techniques.

When an American refers to Swiss private bankers as "a bunch of head-waiters", Mr Hans Baer of Zurich-based Bank Julius Baer takes it as a compliment, showing American ignorance of what the business is about. For Mr Baer private banking is only 20 per cent money management; the rest is building the personal relationship with the client.

Swiss private bankers assume that a client, who turns to them, is not looking for aggressive wealth formation but for preservation of the real value of his savings, with anything above that taken as a useful but not essential bonus. Clients with $2m or more to manage take their risks in their businesses; they want their savings kept safe.

The strength of the Swiss lies in their attention to personal service and in their ability to manage portfolios in half a dozen reference currencies, spreading funds across several markets while anticipating and avoiding exchange risks.

US banks' approach, so far, has been dollar-bound, aimed more at wealth creation and sometimes driven by credit with clients borrowing to invest. But the client knows he is taking a bigger risk than with a Swiss bank.

Lloyds does appear to have caught on to the Swiss secret. In three years it has increased the funds under its management from $7.6bn to $12bn, with more than two-thirds of the increase achieved this year. Lloyds has a predominantly Swiss staff in Geneva, has invested heavily in equipment and software, and has established regional offices in the Bahamas and Hong Kong, to tap new markets.

Indeed, marketing, which is not regarded as a particular strength of discreet Swiss private bankers, has become an essential competitive tool. As Mr Jürg Sigerist, director responsible for developing private banking at United Overseas Bank, points out, banks have to attract fresh money, to reach the volume needed to offset rising spending on staff and equipment and shrinking commissions.

William Dullforce

Foreign banks will feel the effect of tightened security

New rules add to the stress

FOREIGN BANKS in Switzerland have recently had the gauntlet thrown down to them by the Swiss Federal Banking Commission: regulations will require finance companies and banks to apply for licences if they wish to be involved in underwriting and deposit-taking.

This has come in a year when it looks as if Nomura will be the fourth largest underwriter of all Swiss franc denominated bond issues (mainly because of its strength in the convertible market) and when foreign banks have dominated the market in covered warrants into non-Swiss equities.

But it has also been a year when the leading Swiss banks have increased their overall market share, squeezing smaller and foreign banks. One manager at a US bank thinks the next 18 months will be quite tough enough, without the added pressure of the Commission's rules. Another says that the key to success will be diversification – banks will no longer be able to rely on one or two products, but will need visible skills across a much wider range of instruments.

The regulations take effect from the beginning of 1990 and will hit around 50 financial companies, 35 of which are foreign. The regulations state that they must apply for full banking licences before June 1 next year. If licensed, they must then meet capital and liquidity requirements.

The ostensible reason for the new rules is that Switzerland has long needed to tighten its banking security. No one in the UK, for example, would question the Bank of England's right to approve banks doing business in the UK.

The step caused much whispering when it was announced, however, with some of the foreign banks remarking that the Big Three Swiss banks had, no doubt, lobbied the Banking Commission as a way to reduce the competition they are facing from foreigners. The Banking Commission's president, Mr Kurt Hauri, went out of his way to deny the rumour, stating that the rules were not intended specifically to punish foreign banks. He acknowledged, however, that foreign companies would bear the brunt of the changes.

The rumour is worth repeating only because it suggests the dire straits in which some foreign banks find themselves. As one banker says: "You have to look at returns on capital. Many of the Japanese banks in Switzerland are already over-capitalised, so their returns from the market may be hard to justify."

Many analysts think that the Japanese sector of the market is saturated, with too many marginal players chasing business dominated by the leading handful of banks. While the market for Japanese equity-related products has been excellent, and while prospects for 1990 look good, there remains the possibility that a downturn on the Tokyo equity market could destroy the record issue volumes seen in Switzerland. The 45 or so Japanese banks there might then find it hard to justify their continued presence.

Nomura's president in Switzerland, Mr Tetsuhiro Miyake, thinks such statements are too broad. "You have to define what you mean by a bank. There are plenty of general banking and finance companies which will have to decide whether they want to become licensed Swiss banks," he says.

At the moment, however, of the recognised securities houses only Nomura and Yamaichi have banking licences. In addition, eight Japanese banks are licensed, while Sumitomo has effective access to the market through its ownership of Banca del Gottardo.

Mr Miyake is clear on what he believes the effect of the Banking Commission's measures will be. "You have to recognise that Swiss commitment to Japanese securities is still relatively small compared to that of, say, London," he says. "So, from a sheer economic point of view, there will be some houses that will close

Continued on next page

INSURANCE

Players' eyes on the EC

SWITZERLAND'S important insurance sector is set to break all previous records this year. In 1988 the 123 Swiss-based insurers and re-insurers had already increased total premium income by 14 per cent to over SFr45.3bn. Interim reports from leading companies show that premiums – and profits – will probably show a further double-digit growth rate for 1989.

This expansion extends to all main activities. Last year the increase had been particularly marked in the field of life assurance, where premiums jumped by over 20 per cent to SFr17.67bn. Non-life insurance premiums were up 10.5 per cent to SFr20.47bn and those from re-insurance business by a more modest 5.3 per cent to SFr7.5bn.

At the same time, the companies' investment earnings rose from SFr7.3bn to some SFr8.4bn, a development which, once again, more than offset the now virtually traditional underwriting losses in direct non-life insurance.

There are a number of reasons for the continued increase in operational income. First, Switzerland is, itself, a small but highly rewarding market: the prosperous Swiss devote a larger share of their family budgets to insurance coverage than any other nation.

Simultaneously, Swiss insurers are rapidly building up their already considerable presence abroad. Government estimates put total foreign business at about SFr21.3bn for 1988. And this excludes the premium income of the Swiss groups' foreign subsidiaries, which was probably almost as much again.

Apart from the overall growth in the international insurance market, the very considerable increase in foreign operations over the past few years reflects keen acquisition activity on the part of the Swiss.

Among cross-border transactions this year have been the Zurich group's purchase of Maryland Casualty in Baltimore; the acquisition by Bâloise of the Rhode Island-based insurer Providence Washington; the Winterthur takeover of the former ITT subsidiaries Transatlantische Allgemeine and Telcon Versicherung in Hamburg; and the absorption of the French business of Sociafrance into Swiss Life. In Switzerland itself, the companies General of Berne and Vaudoise have just decided to co-operate – not least to facilitate the partners' growth abroad.

The Swiss insurance industry's progress in other countries is good not only for its shareholders but also for the national balance of payments. The Swiss Insurance Association (SVV) has calculated that the corresponding net contribution to the current account surplus was some SFr1.02bn in 1988 – very noticeably more than the SFr780m booked for the previous year.

A possible boost for foreign business is the insurance treaty which was signed between Switzerland and the European Community in October. This agreement, the result of 13 years of negotiations, is expected to come into force in 1993. It means that Swiss non-life insurers would be given the same establishment rights in the EC as companies with their headquarters in member countries – and, of course, vice versa. The delay in enacting the agreement results from the necessity for a revision of aspects of Swiss insurance law before the Berne government can move to ratification.

It remains to be seen whether the treaty will have major immediate effects on Swiss-EC relations in the insurance business. Particularly in the wake of the large-scale acquisitions of the late 1980s, Swiss companies have a very healthy presence within the Community already. At the same time, the 23 foreign insurers active in Switzerland account for only a couple of per cent of total Swiss premiums and will find little room to expand in a market which could soon be showing signs of saturation.

In the long term, though, and despite some misgivings that Swiss insurance legislation could in future be tied too closely to decisions made in Brussels, Switzerland's insurers are very keen to expand their EC business. One of them, the Winterthur group, this year converted a Belgian subsidiary into a special "EC" operation and is planning to offer multinational corporate clients what it calls "European policies". And in September, *Swiss Life made a bid for the* British company Pioneer Mutual.

Among other geographical targets, the United States continues to play a leading role, as shown by the latest series of takeovers. Swiss insurers have their reservations about some aspects of American business, not least in connection with third-party claims, but feel they have to be present in force on the world's biggest market – particularly now they have taken steps to upgrade their portfolios there.

The recent hurricane and earthquake disasters did not affect Swiss companies too badly: Swiss Reinsurance, as one of the world's largest reinsurers, expects claims in connection with the San Francisco catastrophe of "significantly less than SFr100m", for example.

Indeed, like other participants in the US market, Swiss companies could benefit from the rise in premiums which is seen by some observers as following the two disasters.

As far as insurers' incursions into other fields are concerned, there are still some reservations about "one-stop finance". For all that, there have been a growing number of links between insurance companies and banks.

Thus Swiss Bank Corporation has a 22 per cent stake in Bâloise (at least for the time being) and has just announced a co-operation agreement with Nippon Life, the Japanese insurer, taking over a small parcel of SBC stock. CS Holding, the parent company of Crédit Suisse, announced – also last month – that it was setting up a life-assurance subsidiary to be known as CS Life. Elswhere, UBS has a 26 per cent share in the two-year old company National Life, while Geneva private banks are shareholders of La Genevoise.

Among the insurers, Swiss Re took over almost half the capital of the German banking house Augsburger Aktienbank in 1988, while this year Winterthur acquired a majority stake in its home-town bank Hypothekar-und Handelsbank Winterthur.

All in all, a strong industry has become even stronger. With earnings virtually sure to be up on the already high 1988 levels, Swiss insurance shares seem a good buy, even if their average yield is still little more that 1.5 per cent. The price-earnings ratio early this month was just over 12 and share prices, still some 9 per cent below the year's high, look like rising.

John Wicks

Foreign banks

Continued from previous page

their Zurich or Geneva offices."

Even for licensed banks, however, the new regulations might cause considerable difficulties. Old rules governing the amount of exposure a bank can have to a single client might be interpreted to include the underwriting business – bankers say it is an open question. Strictly speaking, banks are allowed to have not more than 10 per cent of their capital accounted for by liabilities to a single client. In underwriting this might mean a SFr100m issue would need SFr1bn capitalisation. No more than four banks are currently capitalised to that extent.

□

The real point at issue is that, if Swiss banking authorities choose, they can make life very difficult for the banks and foreign banks will be the main casualties. The singe client rules, taken with rules about liquidity, add up to restrictions on straight commercial banking activities. This has led some foreign bankers to suggest that the Banking Commission itself is giving out mixed signals.

Away from the difficulties they experience in the market, it has to be acknowledged that foreign banks have made a remarkable contribution to Swiss banking. Foreigners invented the covered warrant, they gave the Swiss capital market its excellent access to Japanese borrowers, and they have led the market's attempts to diversify and innovate.

□

While they have more than a toe-hold in the securities business, foreign banks have weaknesses. Nomura recently started a private banking division in an area where it considers it has failed to benefit from its status as a bank. Mr Miyake is under no illusions. He says the private banking business will be a tough nut to crack, but thinks it is vital to convince investors that the bank's commitment to the market is long-term.

Another significant problem for the banks remains the great difficulties they face in recruiting and keeping trained staff. So tight is the Swiss labour market, and such is the need for local market expertise, that this is a continuing factor restraining their ability to grow..

Andrew Freeman

What went wrong? Swiss shareholders watch stock prices tumble in a bank window display during October's mini crash

THE STOCK MARKET

Prices ignore good forecasts

SWISS EQUITY prices were among the last in Europe to make up the ground lost in the October 1987 crash. Moreover, since the late burst this summer, in which it caught up with the other exchanges, the Swiss stock market has again been performing like a badly winded runner.

The absence of buyers and the low trading volumes have been attributed to the market's sensitivity to the dollar and its tendency to ape Wall Street; to the worrisome acceleration in domestic consumer prices; and to the high interest rates, which the Swiss National Bank is expected to seek to sustain for some months to come.

With the market in the doldrums, attention has focused once again on its endemic deficiencies, which keep Swiss blue-chip stocks undervalued relative to comparable foreign stocks. Prices seem to be indifferent to forecasts of good 1989 earnings for Swiss companies and a strong domestic business climate, which has so far shown no sign of plunging into recession next year.

This time, talk about the market's inadequacies appears to be closer to action to improve matters. The stock exchange associations and the banks have been acting in greater concertation. Parliamentarians are showing more concern, even though the banks' lobbying of the Government for changes in the Securities Act and the easing of stamp duties on securities transactions has still been only partially successful.

In a move strongly resented by the bankers Mr Otto Stich, the socialist finance minister, ordered the Banking Commission to investigate suspected irregularities in trading during last October's mini-crash. The bankers contested the legality of his action and were shocked, because they felt that technically the exchange had performed well. Trading was continued each day until all orders had been executed.

Nevertheless, some important decisions have been taken. The Tripartite Bourse Association, linking Zurich, Geneva and Basle, has decided to spend SFr35m ($22m) to put an electronic exchange with a fully automated deal-matching system into place by autumn, 1991. Initially, it will handle only bonds, but enough capacity is planned for it to be able step by step to take on trading in other securities.

In Zurich, the stock exchange board approved the project by only 15 votes against 14. Critics challenge the cost, recalling that Soffex, the electronic options and futures exchange started two years ago, ended up by costing SFr160m, including spending on equipment by all the participants. But the major opposition, which could still prevail, comes from those who want to retain the open outcry ring system. Champions of a single, national fully automated bourse claim that it will ensure the market of the liquidity that is at present difficult to achieve when spread across seven exchanges.

The bankers aim to achieve the maximum self-regulation. They have accepted that a federal law governing trading in securities will be needed to replace the current fragmented cantonal regulations, under which the bourses operate, but insist that an internationally respected exchange can be developed by their own efforts.

They introduced the country's first takeover code, loosely modelled on London's, in September, and a revised system of brokerage commissions is due to come into force in January. It lowers the size of transaction, above which rates can be freely negotiated, from SFr1m to SFr500,000. Fees will be reduced for transactions between SFr200,000 and SFr500,000, while commissions on small transactions, less than SFr150,000, will go up.

The revision is, in fact, a challenge to the Cartel Commission, which wants the exchanges to scrap the agreement on brokerage fees and open up for free competition. The Government has to decide whether to enforce the commission's recommendations or to find a compromise.

More bankers recently have been adding their voices to demands for better information on the Swiss equities market, from both the exchanges and the listed companies – a plea that has come earlier mainly from foreign brokers and investors. At present, trading volume figures are published for only 12 blue-chip stocks and they are not available until the next day.

Foreigners are no longer alone in criticising Swiss corporate reporting standards. Some members of the Zurich exchange have suggested that, before they are listed, companies should be made to comply with European Community reporting standards. A few companies, notably Ciba-Geigy, the big chemicals group, have started to move tentatively towards quarterly or semi-annual reports, giving at least some indication of profit developments.

William Dullforce

FOREIGN BONDS

Volumes low in a cheerless year

ASKED ABOUT the foreign bond market this year, Mr Bo Holmberg, from Citicorp, has a simple reply.

"It has been the worst year I can remember, and rotten by any standards," he says.

Mr Arthur Wulkan, from UBS, agrees that "1989 was not a bond year."

There has been little to give bankers cheer. According to Crédit Suisse, the first 11 months of 1989 saw a sharp drop in the volume of new Swiss franc foreign bonds to SFr28.69bn, from SFr38.07bn in the same period last year.

According to UBS, measured in US dollar terms, total Swiss franc foreign issues dropped 36 per cent in the first six months of 1989, against a 30 per cent decline for the Deutsche Mark, 19 per cent for sterling and 16 per cent for the yen.

On the handful of occasions when the straight bond market opened for issuers, too many new issues flooded out and swamped a demand that was always fragile. Only the continuing success of Japanese convertible issues has kept morale going. This year, by the end of November some SFr21.08bn of private placements had been launched on the foreign bond market, the vast majority of that accounted for by Japanese convertible bonds.

The list of factors depressing the market is a long one. It starts with the economic performance of Switzerland, where full employment has been the most noticeable result of production constraints. A tight monetary policy by the Swiss National Bank has only kept the lid on inflation, and has meant the steady upward march of short-term interest rates, encouraging investors to keep their funds away from the fixed-income markets and in money market instruments.

The steep inversion of the yield curve seen earlier in the year may have begun gradually to disappear as borrowers have realised that they will have to pay more for long-term funds, but bankers agree that the curve will flatten only slowly. Mr Wulkan says the turnaround horizon is at least six months and probably more like nine months.

Analysts at Crédit Suisse agree, and see an eventual positive side to the inversion of the yield curve. Investors may have been putting their funds into the money markets, but as soon as interest rates show signs of having topped out, they will rush to move their funds into bonds, both foreign and domestic. The danger is that this might push yields down but, once equilibrium is reached, the bond markets will look much healthier.

The list of bearish factors continues with the continuing weakness of the Swiss franc, particularly against the D-Mark, a shift which has added to interest rate and inflationary pressure and weakened demand from the private client base for Swiss franc assets. Indeed, the decline of the franc accounts for around 10 per cent of the dollar decline in issuance cited above.

And it ends with the long-term structural weaknesses of the market, such as the chronic lack of liquidity, the turnover tax, and the vexed question of fixed underwriting syndicates and wider banking secrecy.

Liquidity remains an enduring problem. On the primary market, the involvement of the big banks in the grey market has led to a battle among participants. The big banks feel that their prices are often abused by free-loaders who try to make a turn inside the screen level.

Unlike the Eurobond market, where grey market trading is almost entirely inter-professional, the Swiss market does involve end investors, a fact which complicates relations. On a wider level, bankers say the culture of bond investors remains a buy-and-hold culture that militates against liquidity. Throw in the hated turnover tax, and it is easy to see why this is the case. When the tax is abolished, as is likely next year, the bond market should see one of the biggest changes in its history.

The tough market conditions this year have favoured the banks in the Big Syndicate, which has increased its market share to around 84 per cent of public deals and 65 per cent of private placements.

The corresponding figures last year were 71 per cent and 74 per cent, but the apparent decline in private placements is deceptive because it includes the astonishing push by Nomura into the convertible business. It was no surprise when recently the smaller Handelsbank and Nordfinanz syndicates decided to merge in order to increase their chance of competing with the Big Syndicate.

When all factors are taken together, it is small wonder that the volume of straight bond issues has fallen sharply. If 1989 has not been the year of bonds, then it has been the year of equity-linked instruments, and not just in Switzerland.

In the year to November 6, while the amount of the Swiss franc foreign bond market accounted for by fixed-rate bonds declined from 1988's total of $18bn to just over $9bn, the equity-linked sector was increasing from $9bn in the whole of 1988 to just under $14bn.

Within the equity-linked market, convertible bonds have been, perhaps, the surest source of income for the underwriting banks and have outstripped their equity warrant counterparts. Equity warrant deals account for just over $3bn of the total to date.

An analysis of issuer nationality for the whole Swiss bond market tells an interesting tale. Exactly 50 per cent of deals have been for Japanese borrowers, with just 28 per cent for Swiss names.

Supranational borrowers have declined to just 5 per cent of all deals, a waning which some bankers think is easily explained. The explanation lies partly in the placement characteristics of the market, and partly in the fact that the supranationals have been most visible on the depressed straight bond market.

Straight fixed-income deals are generally placed in retail accounts and in the lead manager's nostro accounts. Many of them have been roundly criticised this year for failing to concede to the fragility of the market, despite the fact that in 1989, professional investors have been largely absent, encouraged into short-term instruments by the inverted yield curve.

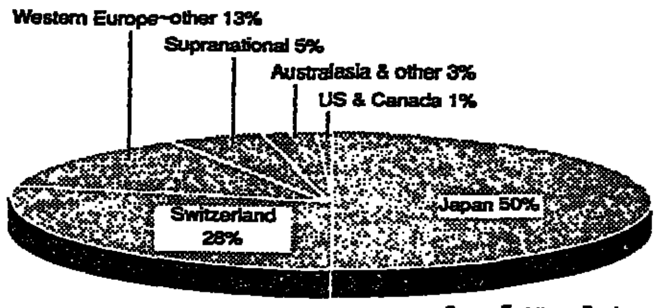
The only straight bonds of medium or long maturities they will buy are those of triple-AAA rated borrowers like the supranationals. But these borrowers have spoiled their market by coming too often and too ungenerously to an insecure investor base.

The convertible market has been the main beneficiary, growing in size and depth to the extent that Swiss bankers are convinced that its future is secure. "We don't feel threatened by the possibility of the convertible business going back to Japan," says Mr Rudi Zehnder of Credit Suisse.

Andrew Freeman

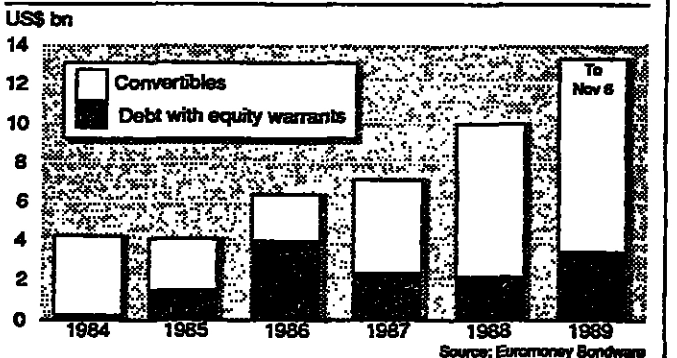
The Swiss franc capital market

Issuer nationality, January 1–November 3 1989



Source: Euromoney Bondware

The Swiss franc equity-linked market



Source: Euromoney Bondware

COVERED WARRANTS

The ingenious route to Japan

WHO SAYS Swiss investors are conservative? Banks which have made huge profits can show you the evidence that supports the opposite claim – they love gearing and speculation and, in the covered warrant, they appear to have found the instrument they have been looking for. The extraordinary growth of the product in 1989 is a development which has suited the banks, too – many of them have stayed in the Swiss market thanks mainly to covered warrants.

Covered warrants are a Swiss invention, thought up by Citicorp in 1985 when the first deals for Toyobo and Kobe Steel were launched. The instrument has found rapid application elsewhere, but its market is deepest and most established in Switzerland.

Simply, covered warrants are the liability side of an operation where a lead manager purchases an equity position in some form, and issues Swiss franc warrants against that position.

The original logic for the instrument was compelling – retail investors were crying out for exposure to the Japanese equity market, but were unable or unwilling to participate in the professionally driven London-based market for Japanese equity warrants. The covered warrant offered them the geared exposure they wanted in the small denominations they could afford.

Compared with convertible bonds, covered warrants usually had lower premiums, meaning investors could see the prospect of quicker returns. Another attraction was that covered warrants denominated in Swiss francs avoided the foreign exchange risk inherent in the purchase and sale of dollar warrants. Finally, they were tax-exempt because the Swiss authorities did not recognise warrants as securities. Thus, investors bought a liquid instrument they could trade at no extra cost.

Creating the instruments is now a well-established process. Most covered warrants, for example, have been into Japanese stocks. Usually, the lead manager's cover in this case is a package of dollar-denominated equity warrants which is bought cheaply as a block in, say, the London market, and is re-packaged with an increased premium and sold on as a simple arbitrage. In these cases, the nature of the underlying or covering securities is clearly disclosed by the lead manager.

But there are other ways of creating the equity cover, some of them risky, others controversial. Banks can use convertibles instead of equity warrants. They can change the point at which they actually buy the dollar warrants, for example by waiting until the Swiss franc warrants have already been launched. They can even decide to sell their dollar warrants altogether and plan to deliver any liabilities in yen stock – a strategy which is rumoured to have cost some banks large losses when the shares moved against them.

Some US banks, notably Bankers Trust and Salomon Brothers, engage in the most controversial strategy, and have made a speciality of so-called dynamic hedging. The first dynamically hedged deal was issued by Bankers Trust in April this year when it launched 75,000 Swiss franc warrants into Merck, the US pharmaceuticals company.

Here, the equity cover is partly or mostly synthetic, consisting of a mixture of shares and options in the underlying equity. The lead manager uses aggressive hedging techniques to run the cover, and counts on the costs of the hedging being less than the profit generated by the sale of the covered warrants.

This is more risky for the underwriting bank, but it is also more risky for the investor, who has to make a credit decision about the bank writing the options. In practice, no bank could afford not to meet its obligations if it wanted to remain credible, but the possibility is there.

But covered warrants are not just international instruments. One of the fastest-growing sectors has been covered warrants for Swiss equities, a market created and developed by the small and innovative BZ Bank, founded in 1985 by Mr Martin Ebner. He had the simple realisation that Swiss registered shares, unavailable to non-Swiss investors, were greatly undervalued compared with their bearer counterparts.

He persuaded clients with block holdings of registered shares to write options on their shares, options which were then sold to investors as covered warrants.

By the end of September this year, some 7.5 per cent of all Swiss registered stock was covering warrants, an indication of the huge success of the market. Some leading stocks, including Ciba-Geigy and UBS, had over 10 per cent of their entire capitalisation in covered warrants.

Bankers have been extremely coy when it comes to admitting how much money they make from covered warrants, but they admit the profits from a successful deal can be considerable. A figure of up to SFr1m on a single issue is thought to represent the biggest profit ever made, but the typical figure is more like SFr200,000.

On both the domestic and international markets, bankers are finding ever more complicated ways to package warrants. Already there are covered warrants on an index or a basket of stocks designed to capture the performance of a particular industry sector.

On the international market there is a question hanging over the warrants exercisable into a basket of Japanese stocks – are the issuers sure they can deliver the physical stocks if the warrants are exercised? Cynics suggest that the settlement infrastructure on covered warrants has been neglected, kept in the shadows by the more glamorous origination side. If that is true, there may be a twist in the covered warrants tale.

Paradoxically, one of the banks which might have been most active in the covered warrants market, Nomura, has stayed largely on the sidelines. It launched three deals in April this year, as if to lay down a marker that it could be in the business if it so chose but, since then, has concentrated on its core business in convertible note issues.

The bank's president, Mr Tetsuhiro Miyake, points out that traditional businesses still carry very good margins, which is not the case in other leading financial centres, and says Nomura's resources are profitably occupied there. Mr Miyake also notes that Japanese banks have the most difficult relationship task in winning the agreement of Japanese borrowers to allow covered warrants to be issued on their shares.

Andrew Freeman

DOMESTIC BONDS

Small borrowers, higher margins

POOR fundamentals for domestic bonds were one of two factors which made 1989 a year many bankers would like to forget. The other was the virtual absence from the domestic market of traditional borrowers.

There *were* some reasons to be cheerful.

The market is now underpinned by the investment requirements of the fast-growing Swiss pension funds and institutional funds, which have to invest a certain percentage of their assets in domestic issues.

And, despite poor conditions, new-issue volumes have held up surprisingly well.

Yet domestic corporate borrowers have been largely absent from the market this year, and are not expected to be active in 1990. Large corporations are benefiting from the buoyant economy.

Smaller companies do need regular visits to the market to fund their growth, and leading banks expect steady calls for capital. The problem here is that investors are unwilling to accept straight debt from any but the highest quality names, so small companies often have to pay large margins in order to borrow.

The second traditional type of borrower, the utility, has been a declining force on the domestic market. In the controversial electricity sector, for example, growing environmental objections to new power plants, particularly nuclear stations, has meant the calls for capital have been few and far between.

There will be some funding needs for modernisation of existing plants, and some bankers say there are important construction projects to be announced in 1990. In general, however, utility funding is set to remain static.

That has left the market more than usually reliant on the last group of borrowers, the state itself, and the cantons which make up the Confederation. Unfortunately for the banks, the Confederation, which is currently cash-rich, has been reducing its debt, so new issues have been patchy.

It has also been shifting its obligations lower down the yield curve, putting more emphasis on short-term liabilities and seeking flexible money market funds. Some bankers privately criticise the Confederation for the naive way in which it has tapped the money markets, arguing its instruments have not performed as well as they should have. Whatever the case, the fact remains that in the short term, the Confederation is unlikely to return to the bond markets in any large way.

Similarly, the cantons have generally had well balanced budgets, meaning that their need for funds has been much less than usual. Not surprisingly yields on cantonal paper have risen by a full point to around 6 per cent since the beginning of the year.

The absence of all these borrowers begs the question of who has been tapping the market: the answer is that most of the borrowing has been done by banks themselves. They have taken the opportunity to borrow cheap funds and subordinated debt, which they can profitably redeploy in lucrative money market instruments. **AF**

TECHNOLOGY

Della Bradshaw on voice compression techniques which save on telephone bills

Squeezing several calls into one

It must be what every finance director dreams about: a way of slashing the company telephone bill by half. But the big question is, how do you do it without cutting back the number of phone calls as well?

Some companies have now found the answer to this juggling trick – on some of their phone lines at least. They are using voice compression techniques to squeeze the conversations into as small a space as possible.

US commercial banking group Manufacturers Hanover Trust, for example, has installed equipment on a direct phone link between its London and New York offices which allows six employees to talk to their transatlantic peers using the capacity normally used for just one phone call.

Although technologists have been kicking this idea of voice compression around for years, the concept has now turned into a political football as much as a technological one.

In the UK, companies can only use compression on phone calls which travel over private lines between their own offices. Voice calls that have been compressed and then stretched back into shape, are not allowed to pass into the public networks run by British Telecom and Mercury. The situation is similar throughout Europe.

In the US, however, companies are allowed to use compression techniques more freely. Take, say, a company with offices in Seattle and Miami, linked by a private telephone network. If an employee in Seattle wanted to call a supplier based in Miami, the call could travel along the private network as far as the Miami office and then finish its journey on the local Bell network – for the cost of a local call.

International companies, with offices in London and the US, are already taking advantage of the more liberal US rules to cut their phone bills. They are using speech compression on their own private transatlantic lines and then breaking out in the Bell public network at the US end. But they cannot do the same for calls destined for the UK.

Why not? If companies were allowed to use the same techniques with the national boundaries, or even across Europe, then they could substantially cut their international telephone bills.

The UK telephone regulator, Oftel, argues that if this were to happen the quality of the call would deteriorate. Every time a call is switched through an exchange on the ordinary telephone network the quality degrades slightly. This, combined with the lower quality voice that compression produces, Oftel says, could make the conversations indecipherable.

Manufacturers acknowledge that in the early days of speech compression the sound reproduction quality was poor, leaving the caller sounding like a demented cartoon character floundering on the seabed. But they say that techniques have improved greatly and point to US advances as proof. They argue that the main concern of the telephone companies is their revenue, not call quality.

Compression techniques have shown such rapid improvement due to two breakthroughs, says Scott Marshall, assistant vice president of Newbridge Networks. One in electronics chips – digital signal processors – and the other in software. Single chips, from companies such as Texas Instruments, Intel, Motorola or AT&T, can now do more than a handful of chips a few years ago.

That, says Marshall, has in turn led to advances in software algorithms, the complicated mathematical operations used to squeeze unnecessary information out of a digital signal. "The algorithms weren't too complex before because the chips weren't complex."

Manufacturers believe further weight is being leant to their case for the introduction of compression equipment by the rapid introduction of digital private and public phone networks. That is because on a digital network, the quality of the voice call will not deteriorate appreciably even if it is compressed.

"In a completely digital world the digits that go into the network – the 0s and 1s – come out at the other end," argues Trevor Sokell, managing director of 3Net, of Basingstoke, the networking equipment company.

Those in favour of voice compression equipment believe the telephone companies want the best of both worlds, and are happy to use compression when it is in their interests, but ban it when it is not.

At the heart of the debate is the programme for the introduction of digital cellular radio, which should come into service in 1991 in major European cities. Included in the specification for the service is a technique for compressing the voice across the radio link – between the phone and the network base station – to enable the cellular radio operators to squeeze more calls into the limited radio spectrum.

The radio compression system, developed by PKI, the radio division of Philips in Nuremberg, squashes each conversation into 13 kilobits per second (kb/s), about one fifth of the international standard for digital phone calls.

As a result manufacturers believe the regulators will have to change their minds about compression, says Peter Schwarz, managing director of speech compression company Delphi Systems, of Salisbury. "As it stands at the moment the regulations won't allow someone to make a call from a digital cellphone, which uses speech compression, to someone on the ordinary network. So those rules will have to change. I think it's going be very difficult for the regulators to argue you can use this cellular compression but you can't use voice compression like ours."

Technical purists point out that the introduction of digital techniques in telephone networks involves compression, anyway. That is because digital signalling involves taking samples of the analogue voice wave at regular intervals.

The question is, how frequently should the sample be taken and what length should it be in order to give a clear signal. For the ordinary telephone network the phone companies have decide to use a technique called pulse code modulation (PCM), which involves taking a voice snapshot 8,000 times per second, with each sample comprising eight bits (see chart).

The techniques used by voice compression companies squeeze the signals into a smaller bandwidth, but methods of doing that vary widely. However, they all have one thing in common: they are all referred to by acronyms guaranteed to make the technophobic break out in a cold sweat. They include:

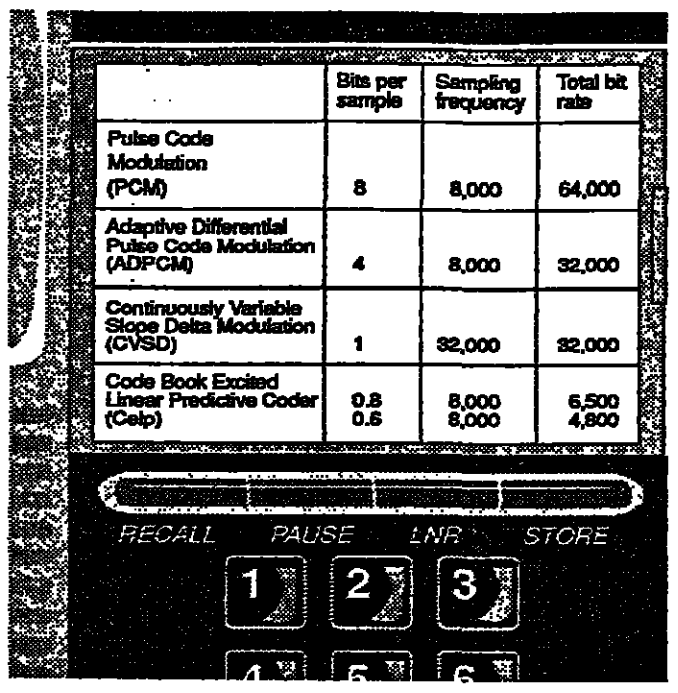
- ADPCM (adaptive differential pulse code modulation) – a development based on PCM. It can send twice the number of phone calls as PCM because it only sends the part of the signal that changes – not the entire signal.
- CVSD (continuously variable slope delta modulation) takes more frequent samples of the speech – 32,000 a second – but cuts the size of the sample – down to from eight to one bit per sample.
- LPD (linear predictive coders) work on the basis that during an ordinary conversation, the voice patterns vary only slightly. They therefore predict what the next chunk of sound will be, based on analysing the pattern of the recent information. One of the most advanced is the:
- Celp (code book excited linear predictive coder). This works by predicting what the next sounds will be, but then takes the difference – between what it predicted and the actual sound – and compares it to a code book, or library, of common errors. It selects the one which resembles the actual error most closely, and transmits an abbreviated code for this error pattern – rather than the error itself. As a result speech can be squeezed into as little as 4.8kb/s.

There is a whole flotilla of companies, particularly in North America, selling equipment which incorporates completely different approaches to the problem. They include Infotron, Network Equipment Technologies (Net), and Republic Telecom of the US and Newbridge Networks of Canada.

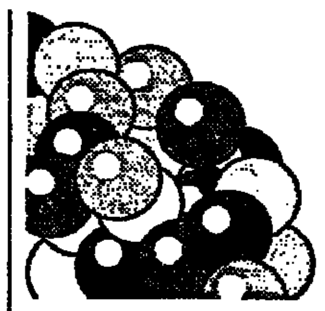
But even they acknowledge there are some drawbacks with speech compression. All compression involves time delays – several milliseconds in some cases. That can involve echoing on the line, although electronic echo cancellation units can be used to eliminate that.

More important, putting all your phone calls down one line is the technological equivalent of putting all your eggs in one basket. If there is a fault on the line, you can lose all your calls, not just one.

An article on video compression appeared on the technology page on Friday December 15



	Bits per sample	Sampling frequency	Total bit rate
Pulse Code Modulation (PCM)	8	8,000	64,000
Adaptive Differential Pulse Code Modulation (ADPCM)	4	8,000	32,000
Continuously Variable Slope Delta Modulation (CVSD)	1	32,000	32,000
Code Book Excited Linear Predictive Coder (Celp)	0.8 0.6	8,000 8,000	6,500 4,800



WORTH WATCHING

Edited by Della Bradshaw

A billion bits per square inch

INTERNATIONAL Business Machines is claiming a world record for a breakthrough in data storage technology, writes Louise Kehoe.

The company's Almaden Research Laboratories, in San Jose, California, has produced an experimental magnetic computer disk that stores a billion bits of information per square inch of the disk surface.

A billion bits, or a gigabit, is approximately equivalent to 100,000 double-spaced, typewritten pages – or a 33 feet high stack of paper.

To achieve gigabit storage density, the IBM researchers combined a number of advanced components, including experimental thin-film recording heads and disks.

The experimental system recorded and read back data at a rate of 3.5 million bytes per second with an error rate of only one in 10 trillion when standard error correction methods were employed. This is analogous to transcribing more than 10,000 years of newspapers before making a single mistake.

Expanding metals in magnetic fields

MATERIALS expand when heated, but some metal alloys expand when placed in a magnetic field, writes Lynton McLain.

The ability to control an increase in the length of these magnetostrictive materials at room temperatures can be exploited for industrial applications, such as in robotics where precise and very rapid movements or positioning are required.

Nickel was the first magnetostrictive material followed by piezoelectric ceramics, with twice the expansion effect of nickel. Now alloys of elements known as rare earths have been developed which expand several times more than the most effective piezoelectric ceramics.

Johnson Matthey is one of the first large scale producers of a magnetostrictive rare earth material called terfenol, an alloy of the rare earth elements terbium and dysprosium, mixed with iron.

Rods of terfenol can expand in length by 1mm for every metre of length.

Third party office services

HAVE you ever wished that someone else would be responsible for getting that vital tender document printed before the deadline?

If so, the answer could be a facilities management, or FM, contract – the sort of third party management services now widespread in everything from office cleaning to data processing.

In January Rank Xerox will officially launch its FM division, specifically aimed at companies which want to hand over the running of their photocopying and printing.

The Business Services Division, in Uxbridge, will not be selling its wares on the grounds that they are cheaper than other means of doing the job. Instead, the company will be emphasising the quality of the service, in particular 100 per cent "uptime" – even if many of the regular staff come down with the latest flu bug.

Mobile answering machines

CAR telephones were designed for people who wanted to receive their calls while they were out of the office. But if your phone rings while you are not in the car – in a business meeting for example – then you still miss the calls.

An electronic solution to that has been developed by a British company, C-Com International. Its cellular carphone – which can also be used as a transportable phone – keeps stock of up to ten numbers of in-coming callers, and displays them when the driver returns to his or her car.

To do that the callers have to tap in their telephone number when they hear a series of bleeps. This can be done from most push button telephones. The phone records the number and the time the call was made.

To make the system easier to use, the manufacturers are planning to introduce a digitised voice facility – like an answering machine – early next year.

Place your order electronically

A GROUP of independent French, German and Belgian music producers are developing a electronic way of giving both distributors and music lovers access to music catalogues.

The database of published music will be linked to shops and wholesalers to enable them to order records electronically. And eventually the Musik network, being developed by GFI, of Paris, could be used by music lovers who want to phone up and listen to the record before placing an order.

Secrets of the rotting process

THE days of ships laden high with rubbish sailing the seas looking for a site where they can dump the waste materials could be numbered.

Research is underway at the Argonne National Laboratory into a technique for ensuring that such rubbish decays more quickly, so that landfill sites can be returned to other uses within 10 years. (In the US, refuse on some sites has not decayed completely for up to 30 years.)

The secret to speeding up the biological degradation is simple, according to Argonne. The answer is to circulate water through the landfills.

One by-product of the process is that as the refuse decays methane gas is produced, which can be used to fuel boilers and electrical generators. Initial research done at Argonne suggests that it could be possible to control the amount of gas production by monitoring the amount of water circulated through the sites.

Contacts: IBM: US, 408 927 1080 Johnson Matthey: UK, 051 423 1166. Rank Xerox: UK, 0895 51133. C-Com: London, 907 8713. GFI: France, 1 47 29 60 00. Argonne: US, 708 972 5580.

COMMODITIES AND AGRICULTURE

EC fishing curb plans under fire

By Tim Dickson in Brussels

MR MANUEL Marin, the European Community's Fisheries Commissioner, was last night battling to find a compromise on EC catch limits for next year with bitter criticisms from Mr John Gummer, the UK Fisheries Minister, ringing in his ears.

The Commission's proposals for 1990 quotas involve deep cuts in the quantities which can be landed for several species, notably North sea haddock and cod, which are the lifeline for many English and Scottish fishermen.

The proposed reductions, justified on conservation grounds, follow similarly drastic cuts in 1989 which have already created a serious crisis in the UK's fishing industry.

Mr Gummer, who, like his Ministerial colleagues, was last night locked in talks with Mr Marin and the French Presidency of the EC, insisted that his conservation credentials were as good as any in the EC. But he said the Commission's decision to fix some Total Allowable Catches below the figures proposed by scientific experts was "outrageous."

"They are far tougher than the need for conservation demands," he declared.

One of the chief targets of his fury is the haddock TAC, where the Commission is proposing to give Britain about

Mr John Gummer: planned cuts "outrageous"

32,000 tonnes, compared with 54,000 tonnes last year. Mr Gummer admitted that the scientists had proposed a range of different figures but he insisted that this was below even the most pessimistic.

"It doesn't help conservation to go down to these levels," he said. "What is needed is much better controls on things like mesh sizes and the number of discards (fish thrown back dead into the sea)."

Britain was not alone last night in complaining about the package, with most of the member states with big fleets like Spain and West Germany voicing their criticisms in the early exchanges.

'Superior nut' cheers Malawi

By Mike Hall in Blantyre

AS POOR prices and high input costs drive other Malawian estate managements close to cracking point, growers of macadamia nuts are rubbing their hands at the prospect of a productive and profitable future.

Billed as The Superior Nut, the macadamia was introduced to Malawi in the 1950s by an estate with connections in Australia, mother country of the golden brown, marble-sized nut.

Now this small southern African country, known for its tea and tobacco, is beginning to make a name for itself as a producer of macadamias, which producers say has an effectively unlimited market.

From the duty free shop at the international airport to major world food fairs and the shelves of leading supermarkets in the UK, the neatly-packaged Malawian nut is selling well. "we can't produce enough," said one estate manager.

Hawaii had already developed into the world's largest producer of macadamias and it was after diversifying Malawian estates planted Hawaiian varieties that the country began developing into a serious player in the world macadamia league. With production of 153 tonnes this year, Malawi is now said to be the world third largest producer, but way behind Hawaii and Australia.

Careful scientific research, much of it carried out by the UK's Tropical Products Institute and funded by British aid, and a closely controlled industry, overseen by the parastatal Tree Nut Authority, has ensured a quality product.

Malawi exports mainly to the US and Britain, which together take about 120 tonnes. The European market is "very enthusiastic," one producer said. "We have to choose who we want to sell to."

Given such a responsive market, production is set to rise rapidly. Output next year is forecast at about 209 tonnes and is likely to continue to increase as more and more estates' plantations come into full production. "The future looks very promising indeed," a producer said.

Producers hope that the macadamia, with its distinctive flavour and soft, yet crunchy texture, will begin to displace some of the more traditional edible kernels as consumers dust down their nut-crackers for Christmas.

LME WAREHOUSE STOCKS
(Change during week ended last Friday) tonnes

Aluminium	+1,900	to 55,250
Copper	+7,300	to 105,575
Lead	+1,800	to 24,825
Nickel	+774	to 3,330
Zinc	-425	to 85,600
Tin	-120	to 6,445

Base metals 'to remain more profitable than gold'

By Kenneth Gooding, Mining Correspondent

IN SPITE of the recent surge in the gold price, it will remain more profitable to mine base metals than gold in 1990, predicts the Metals & Minerals Research Services consultancy organisation.

The MMRS team is among the few which is forecasting a lower average gold price in 1990 than this year: $363 a troy ounce compared with $380.

"Investment demand has been largely absent in Europe and North America in 1989 and has remained only a marginal feature in recent price activity. Lower prices may once again be needed in 1990 to absorb the surplus," MMRS states in a review of prospects for 1990.

Silver and platinum are also likely to average lower prices next year than in 1989, the organisations suggests. It forecasts a 1990 average of $475 an ounce for platinum compared with $510 this year and $5 an ounce for silver against $5.50.

Meanwhile, MMRS suggests that, after falling by an average of 6 per cent in 1989, prices of base metals might decline by a further 20 per cent next year. "That said, prices are not expected to return to the depressed levels of the mid-1980s," according to Mr Stephen Briggs, one of the authors.

Tin is an exception because stocks are at a critically low level so the price is forecast to rise next year to an average of $4.13 a lb compared with $3.88 in 1989.

The metals which have furthest to fall are nickel, followed by copper and zinc, says MMRS and suggests average London Metal Exchange spot prices next year will be $3.50 a lb for nickel (down from $6.05 this year); 95 cents a lb for copper (against $1.29) and 57.5 cents a lb for zinc (76 cents).

Downward pressure on the lead price will be limited by the need for stocks to be rebuilt and MMRS suggests the price will average 27.5 cents a lb next year against 30 cents in 1989. The aluminium price is unlikely to fall much lower and next year is likely to average 80 cents a lb compared with 89 cents this year.

Metals Analysis and Outlook, quarterly, £350 a year from MMRS, 222 Strand, London WC2R 1BA.

Adding value to an uncommon currency

Kenneth Gooding on a golden wedding between investment and numismatism

THE INTERNATIONAL gold bullion coin market has run into serious difficulties. Sales of the "big five" coins – the Royal Canadian Mint's Maple Leaf, the US Eagle, the Western Australian Nugget, Britain's Britannia and the South African Krugerrand – have slumped from representing 125 tonnes of gold in 1987 to only about 70 tonnes this year.

Mr Don Mackay-Coghill, managing director of GoldCorp Australia, the Western Australian state-owned company which markets the Nugget, suggests that demand will remain relatively depressed in 1990 at about 70 tonnes. Even if there was roaring inflation in the industrialised world of the kind seen in the late 1970s, demand for the five major legal tender gold bullion coins would be unlikely to move beyond 140 tonnes, he says.

Mr Mackay-Coghill, a South African, was in at the birth of big-scale legal tender gold coins because he was part of the team which launched the Krugerrand in 1970. That coin's international sales rose to a record 193.6 tonnes of gold out of a global total of 287.5 tonnes in its peak year, 1978.

"Gold coin markets have changed dramatically since that time," he points out. "The precious metals market is much more sophisticated today than in the 1970s. Investors have access to a plethora of gold-backed paper instruments, gold passbook accounts and other forms of securitisation of physical gold. "Many of these forms of precious metals investment carry lower premiums over the gold price than those applied to bullion coins. Consequently, it cannot be regarded as a foregone conclusion that a change in the overall investment climate for precious metals because of neutral or negative real interest rates and higher levels of inflation would automatically result in a return of bullion coin sales to their former levels."

With this in mind, GoldCorp Australia is making fundamental changes to the way in which it markets its coins. GoldCorp was set up as part of the Western Australian Development Corporation as recently as October 1986. Since then it has exported about 25 tonnes of gold bullion coins or roughly 9 per cent of total Australian gold output in that period. It has earned about A$600m (£290m) in export sales, including a A$50m premium over the market value of the coins' gold content.

Although the timing of the Nugget's launch at a time of relatively weak coin markets was unfortunate, GoldCorp is pleased with its reception – it has won a 15 per cent share of the world gold coin market.

The company has also introduced Holey Dollar and Dump silver coins and the platinum Koala so as to provide retailers with a full range of precious metals coins and thus help its gold coin sales. GoldCorp believes its platinum coin has more than half its particular market.

The essential feature of the new GoldCorp programme is that an element of collectability will be added to the coins, which previously have been regarded almost exclusively as investment products. GoldCorp in future will offer new designs on its gold and platinum coins every year. It will also mint only a limited number each year so that the coins can reasonably be expected to develop a numismatic or collectors' premium in due course. And it will launch the new designs in November every year to ensure that they are available for Christmas gift-giving and the Chinese New Year.

Mr Mackay-Coghill recalls that the Krugerrand's success was in part derived from the "value for money" it represented because a premium over the gold price of only 3 per cent was charged – much less than on some competing products, particularly in the US. "Now some investors are questioning even that 3 per cent premium," he says. "So we will give them the potential appreciation associated with numismatic coins in the premium for nothing," he says.

"Adding collectability to the investment appeal of bullion coins through limited mintages and annual design changes is the boldest innovation in the bullion coin market since the mass-produced Krugerrand pioneered the market in 1970," says Mr Mackay-Coghill.

After he visited hundreds of outlets in Japan and the US to test retailers reaction to the proposals, it was decided to limit the 1990 issues to 500,000 troy ounces of gold coins, of which no more than 300,000 would be in the popular one-ounce category.

Only 300,000 ounces each of the platinum and silver coins will be minted, of which only 150,000 each will be the one-ounce types. This compares with the 268,500 ounces sold by GoldCorp in the past year.

"We won't shift from the limits we have set," Mr Mackay-Coghill insists, "no matter what temptation there might be." He admits, though, that the totals are hit-and-miss and might have to be altered for future annual issues.

In line with GoldCorp's determination to carve out for itself niche markets in the international gold business, the company has also started test-marketing jewellery, pieces ranging in price from A$100 each to several thousand dollars. These are designed by Mr Stuart Devlin, an Australian-born goldsmith and jeweller who also designed GoldCorp's coins.

It is too early to know whether this will turn into a substantial business and Mr Mackay-Coghill stresses: "We have no intention of competing head-on with Australian jewellers. All our designs incorporate our bullion coins."

Mr Mackay-Coghill is also managing director of the parent group, the Gold Corporation, which was established in June last year by a merger of GoldCorp and the Western Australian Mint. Gold Corporation recently reported a maiden operating profit of A$5.62m. The Mint contributed A$1.874m and GoldCorp A$838,000 in the 1988-89 financial year. The group paid a statutory contribution of A$4.128m to the State Government in lieu of income tax.

When in 1986 the Western Australian Government started the Nugget programme under Mr Mackay-Coghill's direction with the aim of establishing a strong position in world markets for value-added precious metals products, it was projected it would take at least three years from product launch (in April 1987) to break even. In the event, modest profits have been achieved in two of the three financial years since the launch and in that time GoldCorp has spent A$20m on "market establishment costs, all financed from income generated from the coin programmes themselves.

Last year the Perth Mint refined 102.68 tonnes of gold, the first time in its 90-year history it had refined more than 100 tonnes. Mr Mackay-Coghill says the total this year will be between 130 and 140 tonnes. This is only possible because of a A$12m investment programme which has given the mint two new refineries in the past year.

The first, at Kalgoorlie in the centre of Australia's premier gold-producing region, has consistently worked at above its rated capacity since it was commissioned. The new Perth refinery, opened in October, will take the Mint's capacity to at least 250 tonnes a year, enough to deal not only with Australia's output but also gold from Papua New Guinea, which is becoming a major producer, Saudia Arabia, Fiji, the Solomon Islands and New Zealand.

By moving refining away from the Perth Mint for the first time in its long history, room has been made way for the minting operations to be redeveloped on the site – fronted by an historic limestone building which contrasts dramatically with most of the new property on Perth's Hay Street.

Redeveloping the minting operations will cost another A$6m. Mr Mackay-Coghill says that by its nature, the precious metals business is cyclical, especially in its investment elements. Profitability in the refining business is marginal and largely dictated by the volume of metals being offered for treatment. At the same time profitability of the export-oriented value-added programmes is largely dictated by the international climate for precious metals investment.

However: "We see ourselves continuing to add value to Australian gold," says Mr Mackay-Coghill. "We want to carve out a number of niche markets and to sustain a good, solid business relative to Australia's share of world gold production."

Nigeria says it will ban exports of raw cocoa beans

THE NIGERIAN Military Government has banned the export of raw cocoa beans with effect from next year, state radio said, reports Reuter from Lagos.

It quoted Vice-Admiral Augustus Aikhomu as saying only the export of processed and semi-processed cocoa products would be permitted.

Cocoa is Nigeria's largest non-oil export, earning about 8 per cent of the country's foreign exchange in 1988.

In October London trade house Gill and Duffus forecast Nigerian production at 185,000 tonnes of cocoa in 1989-90, of which only 8,000 tonnes would be ground locally.

Vice-Admiral Aikhomu, Chief of General Staff and a member of the Armed Forces Ruling Council, was speaking at the 25th anniversary of the Nigerian Cocoa Research Institute, the radio said.

The Government is trying to reduce the country's dependence on exports of primary products by encouraging local processing.

Earlier a Nigerian farm leader had said cocoa growers, hit by low domestic prices, planned to cut out local middlemen and sell directly to the international market.

"We produce it; there is no harm if we sell it directly to the consumers," said Mr Joseph Affun-Adegbulu, Chairman of the Ondo State Farmers' Congress. Ondo is the country's main producing region.

Cocoa farmers partly blame local exporters for the sharp fall in farm gate prices to 4,000 naira (£330) a tonne from a record high of around N25,000 early this year.

● In London news of the export ban came too late to have much impact on the market. Dealers said the move was potentially bullish but doubted that Nigeria had the capacity to process all its beans.

WORLD COMMODITIES PRICES

LONDON MARKETS

COFFEE prices were in retreat yesterday, with the second position shedding £14 to close at £649 a tonne – a fresh 14-year low. The market is watching both the Brazilian elections and this week's meeting in Honduras of Central American producers, who are planning a withholding scheme for new-crop arabica coffee. On the bullion market gold prices eased, although closing above the day's lows. Dealers said gold should trade in a fairly tight range ahead of the Christmas break, but the picture could change if there was a breach of support at $408 an ounce for the February contract on Comex. On the LME copper edged ahead following some short-covering generated by concern over possible supply disruption through the Panama Canal and by a 7,300-tonne decline last week in LME warehouse stocks, traders said.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$16.95-7.05w	+.225
Brent Blend	$19.40-9.45w	+0.15
W.T.I. (1 pm est)	$21.63-1.65z	+0.08
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$191-193	
Gas Oil	$220-221	+6
Heavy Fuel Oil	$112-114	-1
Naphtha	$170-171	+1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$408.25	-3.00
Silver (per troy oz)♣	555c	-4
Platinum (per troy oz)	$505.75	-4.95
Palladium (per troy oz)	$137.25	-0.85
Aluminium (free market)	$1615	-10
Copper (US Producer)	106¾-112c	
Lead (US Producer)	39.5c	
Nickel (free market)	435c	+5
Tin (Kuala Lumpur market)	16.49r	-0.18
Tin (New York)	319c	-3
Zinc (US Prime Western)	73¼c	
Cattle (live weight)†	111.77p	-4.67*
Sheep (dead weight)†	201.21p	-5.46*
Pigs (live weight)†	89.97p	+3.32*
London daily sugar (raw)	$333.0z	+1.4
London daily sugar (white)	$373.5z	+0.5
Tate and Lyle export price	£322.0	+0.5
Barley (English feed)	£116.5	
Maize (US No. 3 yellow)	£131.0	+0.5
Wheat (US Dark Northern)	£132	
Rubber (spot)♥	55.25p	+0.75
Rubber (Jan)♥	57.75p	+0.75
Rubber (Feb)♥	58.75p	+0.75
Rubber (KL RSS No 1 Jan)	226m	+1
Coconut oil (Philippines)§	$440x	
Palm Oil (Malaysian)§	$275	+15
Copra (Philippines)§	$280	
Soyabeans (US)	£175z	+3
Cotton "A" index	77.80c	+0.45
Wooltops (64s Super)	578p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Oct. x-Dec/Jan. t-Jan/Feb. v-Feb/Mar. w-Feb. z-Jan †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Dec	645	639	646	636
Mar	628	622	630	620
May	640	633	640	633
Jul	655	646	655	648
Sep	672	666	670	664
Dec	690	687	692	687
Mar	712	707	711	708

Turnover: 2853 (7137) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Dec 18 733.35 (728.71); 10 day average for Dec 19 752.67 (754.87)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low	
Jan	647	660	662	647
Mar	649	663	662	647
May	640	653	670	652
Jul	652	666	668	650
Sep	701	714	710	700
Nov	715	730	729	723
Jan	743	756	747	

Turnover: 2691 (3270) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Dec 18: Comp. daily 62.26 (62.10). 15 day average 61.55 (61.45)

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Mar	304.20	304.60	304.40	301.60
May	304.60	305.00	305.00	302.00
Aug	301.00	301.40	301.40	298.00
Oct	295.20	295.20	295.00	292.40
Dec	293.00	293.00		
Mar	289.20	291.00		
White				
Mar	378.50	371.00	373.60	371.00
May	377.50	375.50	376.50	375.00
Aug	366.50	364.00	365.50	364.50
Oct	360.50	358.50	360.50	359.00
Dec	350.50	348.50	350.00	
Mar	350.50	348.50	350.00	350.00

Turnover: Raw 1288 (1711) lots of 50 tonnes. White 343 (609)
Paris- White (FFr per tonne): Mar 2208, May 2241, Aug 2310, Oct 2161, Dec 2100, Mar 2110.

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low	
Feb	19.37	19.13	19.45	19.24
Mar	18.91	18.72	19.00	18.91
IPE index	19.11	19.02		

Turnover 5873 (3398)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Jan	210.25	204.25	211.25	205.00
Feb	193.00	190.00	195.00	192.50
Mar	179.50	178.00	182.25	179.50
Apr	170.50	166.75	171.00	169.00
May	164.00	163.50	167.25	163.25
Jun	162.00	159.00	162.00	

Turnover 9371 (7657) lots of 100 tonnes

TEA

A total of 24,595 packages was catalogued including 4,550 offshore, reports the Tea Brokers' Association. There was good general demand. Liquoring Assams sold at dearer rates but plainest kinds were easier. The few Bangladesh teas again proved irregular. Brightest East Africans were sometimes dearer and good mediums also came to a strong market. Ceylons met good demand with brighter liquoring descriptions steady. In the offshore auction there was good competition at firm to dearer rates except for plainer Central Africans. Quotations: quality 225p nominal (220p), medium 165p (165), low medium 128p (128).

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 24,050 tonne
Cash	1612-5	1635-40	1612/1610	1611-2		
3 months	1617-8	1625-7	1625/1615	1615-6	1618-9	26,389 lots
Copper, Grade A (£ per tonne)						Ring turnover 47,025 tonne
Cash	1515-6	1511-2	1524/1517	1520-1		
3 months	1515-6	1511-2	1529/1508	1517-8	1507-9	74,216 lots
Lead (£ per tonne)						Ring turnover 6,400 tonne
Cash	433-5	431-3	432	431-2		
3 months	427-8	429-30	430/426	427-9	430-1	10,755 lots
Nickel ($ per tonne)						Ring turnover 3,084 tonne
Cash	9350-400	9250-350	9700/9400	9400-500		
3 months	8350-75	8400-25	8425/8300	8425-50	8300-95	7,655 lots
Tin ($ per tonne)						Ring turnover 785 tonne
Cash	6900-20	6990-700	6900	6890-910		
3 months	7025-40	7090-100	7100/7020	7030-40	7035-40	5,795 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 29,925 tonne
Cash	1600-10	1605-10	1625/1610	1625-30		
3 months	1361-2	1390-2	1395/1360	1393-4	1375-80	16,859 lots
Zinc ($ per tonne)						Ring turnover 6,000 tonne
Cash	1490-500	1550-60	1535/1490	1530-5		
3 months	1360-70	1360-70		1360-70	1350-60	1,649 lots

LME Closing £/$ rate: SPOT: 1.6040 3 months: 1.5792 6 months: 1.5549 9 months: 1.5333

POTATOES – IPE £/tonne

	Close	Previous	High/Low	
Apr	208.0	209.0	210.0	208.8
May	233.6	235.5	235.5	

Turnover 58 (173) lots of 40 tonnes.

SOYABEAN MEAL – IPE £/tonne

	Close	Previous	High/Low	
Feb	141.50	141.50	142.00	141.50
Jun	139.80	140.00	139.80	

Turnover 77 (20) lots of 20 tonnes.

FREIGHT FUTURES – IPE $10/index point

	Close	Previous	High/Low	
Dec	1603	1610	1604	
Jan	1648	1651	1656	1648
Apr	1668	1671	1670	1665
Jul	1405	1410	1405	
Oct	1515	1515		
BFI	1603	1603		

Turnover 89 (91)

GRAINS – IPE

Wheat	Close	Previous	High/Low	
Jan	112.90	113.10	113.00	112.90
Mar	114.65	115.00	115.00	114.65
May	120.05	120.40	120.20	120.05
Jun	121.55	121.75		
Sep	106.25	106.15	106.25	
Nov	109.00	109.20		
Barley	Close	Previous	High/Low	
Jan	110.55	111.00	110.60	110.55
Mar	113.00	113.25	113.15	112.95
May	114.65	114.75	114.65	

Turnover: Wheat 285 (262), Barley 29 (15). Turnover lots of 100 tonnes.

PIGS – IPE (Cash Settlement) p/kg

	Close	Previous	High/Low	
Feb	109.0	109.0	109.0	107.5
Apr	109.0	109.0		
Jun	109.0	109.0	109.0	
Aug	109.5	109.5		

Turnover 13 (32) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	409-409½	254¾-255¼
Opening	412¼-413¼	258¾-257¼
Morning fix	411.65	256.416
Afternoon fix	407.50	254.132
Day's high	412¾-413¼	
Day's low	408¼-408¾	
Coins	$ price	£ equivalent
Maple leaf	418-423	260½-263½
Britannia	418-423	260½-263½
US Eagle	418-423	260½-263½
Angel	418-423	260½-263½
Krugerrand	408-411	254-256
New Sov.	97-99	60½-61½
Old Sov.	97-99	60½-61½
Noble Plat	511.80-519.80	318.70-324.75
Silver fix	p/fine oz	US cts equiv
Spot	346.80	556.60
3 months	361.50	570.05
6 months	374.50	581.45
12 months	399.50	604.45

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jan	Mar	Jan	Mar
1600	121	127	1	12
1650	75	60	13	43
1700	3	22	80	102
Copper (Grade A)	Calls		Puts	
2300	119	145	7	55
2400	45	92	35	100
2500	13	54	100	159
Coffee	Jan	Mar	Jan	Mar
600	47	58		11
650	3	29		8
700		15	63	85
Cocoa	Mar	May	Mar	May
600	47	63	19	24
650	19	37	42	45
700	9	20	81	81
Brent Crude	Feb	Mar	Feb	Mar
1800	140	113	1	14
1850	94	79	4	29
1900	60	53	15	56

US MARKETS

IN THE METALS, prices fell in all markets correcting Friday's conditions, reports Drexel Burnham Lambert. Trading was slow after the morning sell-off. In the softs, coffee was lower due to speculative sell-stops and the elections in Brazil. The March contract lost 212 closing at 7850. Sugar and cocoa both had slow sessions. The grain markets were also quiet. The livestocks featured mostly local participants with pork bellies and hogs closing higher. Cattle futures were uneventful finishing the session nearly unchanged. The energy complex had the days most active markets. Heating oil futures led the way posting record advances. Crude oil and gasoline rallied on spillover buying from the heating oil.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Dec	411.8	413.9	412.5	408.5
Jan	413.7	418.8	414.5	410.8
Feb	416.1	418.3	418.0	409.5
Apr	421.1	423.3	423.0	414.0
Jun	426.2	428.3	427.8	420.0
Aug	430.9	433.0	432.0	427.0
Oct	435.8	437.9	0	0
Dec	440.9	443.0	441.7	437.2

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	510.8	516.1	512.5	507.1
Apr	515.5	520.3	517.0	511.9
Jul	520.8	525.8	519.5	518.5
Oct	527.5	533.1	525.8	525.7

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Dec	556.5	560.7	557.5	550.0
Jan	558.6	562.8	0	0
Feb	562.3	566.5	0	0
Mar	566.8	571.0	568.5	559.0
May	574.9	579.1	576.5	568.0
Jul	583.2	587.1	584.0	577.0
Sep	591.5	595.4	587.0	586.0
Dec	603.7	607.6	604.5	595.0
Jan	607.4	611.3	0	0
Mar	615.9	619.8	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	104.50	105.60	105.20	104.50
Jan	104.10	105.80	105.00	103.80
Feb	103.95	105.65	104.70	103.70
Mar	103.80	105.50	105.20	103.60
Apr	103.30	104.85	0	0
May	102.80	104.20	104.00	102.70
Jun	102.45	103.75	0	0
Jul	102.10	103.30	103.00	102.00
Aug	101.80	102.90	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Dec 18	Dec 15	mnth ago	yr ago
1823.1	1817.2	1861.9	1919.1

DOW JONES (Base: Dec. 31 1974 = 100)

	Dec 15	Dec 14	mnth ago	yr ago
Spot	128.42	127.69	130.46	139.16
Futures	130.74	129.94	131.81	142.98

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jan	21.97	21.10	22.08	21.25
Feb	21.20	20.67	21.25	20.75
Mar	20.68	20.37	20.70	20.45
May	20.00	19.82	20.02	19.92
Jun	19.77	19.63	19.80	19.70
Jul	19.50	19.45	19.58	19.52
Sep	19.20	19.15	19.30	19.15
Oct	19.15	19.05	19.20	19.12

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jan	7440	7042	7470	7160
Feb	6745	6496	6765	6585
Mar	6090	5989	6110	6025
Apr	5620	5571	5640	5590
May	5370	5340	5385	5340
Jun	5235	5215	5250	5220
Jul	5190	5165	5225	5170
Aug	5240	5210	5240	5210

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	899	903	915	897
May	906	910	921	905
Jul	922	926	935	921
Sep	941	945	951	950
Mar	983	987	993	980
May	997	1001	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	73.35	75.10	74.90	73.00
Mar	76.50	78.62	78.40	76.25
May	78.92	80.80	80.50	78.00
Jul	81.30	83.18	82.88	81.10
Sep	83.80	85.15	85.10	83.45
Dec	86.50	88.00	87.00	86.50
Mar	89.18	90.50	90.00	89.25
May	91.58	92.88	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	13.98	13.93	0	0
Mar	13.73	13.88	13.77	13.70
May	13.69	13.67	13.75	13.68
Jul	13.55	13.52	13.58	13.52
Oct	13.21	13.25	13.26	13.20
Mar	12.70	12.73	12.79	12.72
May	12.62	12.65	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	68.42	69.00	69.20	68.35
May	69.09	69.78	69.95	68.95
Jul	68.97	69.70	69.65	68.95
Oct	65.25	65.79	65.35	65.20
Dec	63.83	64.40	64.25	63.82
Mar	64.40	65.05	0	0
May	64.95	65.55	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	127.05	126.00	127.70	125.60
Mar	128.20	127.40	128.75	127.00
May	127.80	127.00	128.00	126.25
Jul	128.10	127.50	128.50	127.00
Sep	126.20	125.75	0	0
Nov	125.60	125.25	0	0
Jan	124.95	0	0	0
Mar	124.95	124.25	0	0
May	124.95	124.25	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	580/6	583/2	582/4	578/4
Mar	594/6	597/0	596/0	592/2
May	606/0	608/4	606/4	605/0
Jul	616/6	618/2	618/0	614/4
Aug	619/0	619/4	620/0	618/0
Sep	616/6	617/0	617/4	615/4
Nov	619/6	621/2	621/0	619/0
Jan	629/4	631/4	629/4	629/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	19.22	19.19	19.22	19.06
Jan	19.28	19.29	19.32	19.17
Mar	19.72	19.73	19.78	19.60
May	20.10	20.14	20.24	20.00
Jul	20.34	20.36	20.42	20.22
Aug	20.35	20.27	20.40	20.35
Sep	20.37	20.27	20.40	20.38
Oct	20.37	20.25	20.45	20.30

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	185.6	184.1	186.0	183.2
Jan	183.9	183.5	184.5	182.3
Mar	183.4	183.9	183.8	182.2
May	183.5	184.3	183.8	182.0
Jul	184.5	185.1	185.0	182.5
Aug	185.0	185.2	185.0	183.5
Sep	185.5	186.0	185.5	184.2
Oct	185.0	185.5	186.0	184.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	234/4	235/6	236/4	234/2
Mar	239/2	240/6	240/6	239/0
May	244/0	245/0	245/0	243/4
Jul	247/6	248/6	248/6	247/4
Sep	247/0	247/0	247/4	246/4
Dec	245/6	246/0	246/6	245/4
Mar	252/4	252/6	253/0	252/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	416/0	413/0	415/4	412/0
Mar	412/0	411/6	412/6	410/4
May	389/4	390/2	390/2	388/0
Jul	360/0	361/0	361/0	358/4
Sep	364/4	366/0	365/0	363/6
Dec	375/6	376/4	376/4	374/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	78.27	77.92	78.42	77.97
Feb	75.97	76.07	76.27	75.87
Apr	74.55	74.60	74.82	74.45
Jun	71.72	71.75	71.85	71.65
Aug	70.65	70.40	70.72	70.45
Oct	70.82	70.65	70.87	70.65

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	53.45	52.90	53.67	53.00
Feb	49.70	49.17	49.95	49.25
Apr	45.67	45.12	45.75	45.15
Jun	49.07	48.55	49.17	48.45
Jul	49.27	48.72	49.40	48.72
Aug	48.05	47.67	48.10	47.80
Oct	43.90	43.60	44.00	43.65
Dec	45.90	45.60	45.90	45.40

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	52.07	51.42	52.50	51.40
Mar	51.75	50.87	52.15	51.00
May	52.20	51.57	52.42	51.75
Jul	51.90	51.77	52.45	51.75
Aug	49.95	49.80	50.70	49.90
Feb	53.02	52.60	53.02	0
Mar	52.96	52.95	0	0

LONDON STOCK EXCHANGE

Takeover news boosts equity market

The weak performance of UK equities over the previous two trading sessions was reversed yesterday as markets responded to a number of bullish developments, principally another spate of takeover action, confirmation of stake-building activity in the recently-privatised water stocks and some encouraging news on the economy. In the background to these bullish developments was a flurry of activity said by dealers to have been associated with a number of programme trades.

There were no signs of any enthusiasm in the market early on when technical problems with the Stock Exchange's computerised dealing system prevented many dealers from trading. But when the computers were up and running, the action came fast and furious. The latest CBI survey, which highlighted increasing UK export orders, was read as encouraging. Then came news of a £270m-plus offer for VG Instruments from Fisons, financed mainly by a rights issue, and a counter bid for UK Paper from Fletcher Challenge, the New Zealand group, accompanied by a market raid carried out on behalf of Fletcher by BZW.

Traders pointed out that the market had not fully absorbed news released late last Friday of an increased counter offer for Hestair, the industrial group, from BET. No sooner had the bid stories emerged, than the French water company Lyonnaise des Eaux confirmed rumours in the City last week that it had built up significant shareholdings in three of the newly-privatised water companies, Anglian, Wessex and Severn Trent.

The 9 per cent stake in Anglian came as no surprise to specialists who had noted one securities house bidding for large lines of the shares, while the 6 per cent holding in Wessex was also not unexpected. However, the 2 per cent in Severn Trent was a shock to dealers who marked the sector sharply higher.

The FT-SE 100-share index, opening 1.6 lower then rose strongly to register an 18.2 gain at the day's best of 2,362.9, before easing off later in the day, partly upset by an uncertain US market, to end 13.8 higher at 2,358.5. One of the day's features was an abnormally high number of big individual trades on the Seaq ticker as part of a series of programme trades. Specialists said that at least three programmes were carried out, with the biggest operated after lunch and said to have been mainly on the buy tack. A second trade in mid-afternoon was biased towards the financial sectors. Just before the official close some large blocks of shares moved through the ticker, including 7.7m Ferranti, 5.6m Next and 2.9m Sears. Programme activity gave a substantial boost to turnover which totalled 524.4m compared with Friday's 445.9m.

Account Dealing Dates			
First Dealings	Nov 27	Dec 11	Dec 27
Option Declarations	Dec 7	Dec 21	Jan 11
Last Dealings	Dec 8	Dec 22	Jan 12
Account Day	Dec 18	Jan 8	Jan 22

*New time dealings may take place from 9.00 am two business days earlier.

FINANCIAL TIMES STOCK INDICES

	Dec 18	Dec 15	Dec 14	Dec 13	Dec 12	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	84.04	83.99	83.88	83.66	83.77	87.01	89.29 (8/2)	82.93 (4/12)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	92.28	92.25	92.27	92.19	92.21	96.08	98.59 (15/3)	92.02 (8/12)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1864.5	1851.7	1871.4	1880.1	1861.5	1434.6	2008.6 (5/9)	1447.8 (3/1)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	315.2	308.4	311.6	317.8	317.4	193.0	317.8 (13/12)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2358.5	2344.7	2367.0	2386.2	2363.5	1770.5	2426.0 (5/9)	1782.8 (3/1)	2443.4 (16/7/87)	986.9 (23/7/84)
Ord. Div. Yield	4.58	4.59	4.54	4.52	4.57	5.12				
Earning Yld %(full)	11.15	11.19	11.06	11.01	11.14	12.95				
P/E Ratio(Net)(*)	10.86	10.82	10.93	10.99	10.87	9.31				
SEAQ Bargains(5pm)	20,538	29,761	32,978	38,212	49,723	18,604				
Equity Turnover(£m)†	-	842.51	1085.84	1187.58	1616.40	831.53				
Equity Bargains†	-	32,086	38,683	45,712	53,506	18,749				
Shares Traded (ml)†	-	365.6	464.4	500.9	689.1	333.4				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55, Basis 1000 FT-SE 100 31/12/83. ⊕ Nil 10.80

Ordinary Share Index, Hourly changes — Day's High 1867.6 — Day's Low 1850.5

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1850.6	1862.9	1865.6	1864.8	1864.5	1865.1	1865.5	1866.1

FT-SE, Hourly changes — Day's High 2362.9 — Day's Low 2343.1

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2343.1	2359.3	2362.9	2360.8	2360.1	2360.7	2359.2	2360.7

GILT EDGED ACTIVITY

Indices*	Dec 15	Dec 14
Gilt Edged Bargains	79.6	71.0
5-Day average	77.5	78.6

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. Calculation of the FT Indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request.
London report and latest Share index. Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	883	302	+1	Comm. Union	734	501	+8	Lloyds Bank	3,000	435		Sears	4,900	103	
ASDA Group	4,500	107½	+2½	Cookson	1,800	257	-1	LASMO	900	580	+2	Sedgwick	548	303	+2
Abbey National	4,300	172		Courtaulds	488	380	+2	Lonrho	676	293	-1	Shell Transport	4,200	477	+2½
Allied-Lyons	873	403	+4	Dalgety	474	401	+1	Lucas	503	623		Siebe	771	459	+2
Amstrad	817	45	+1	Dixons	243	133	+1	MB Group	1,000	199	+3	Slough Ests	140	321	+1
Argyll Group	3,400	204	+2	Eng. China Clays	155	429	+9	MEPC	1,100	557	+3	Smith (W H) A	139	353	+1
Ass. Brit. Foods	525	418	+3	Enterprise Oil	679	653	+7	Marks & Spencer	1,500	189½	-½	Smith & Nephew	448	137½	-½
BAA	911	398	+1	FKI	5,700	84	+1	Maxwell Comm.	227	238	+1	Smkl Beecham	2,770	593	-6
BAT Inds.	2,500	820	+8	Ferranti	12,300	35	-½	Mecca Leisure	5,900	187	+1	Smkl Beecham Units	[illegible]	508	-27
BET	4,500	256	-18	Fisons	6,800	340	+5	Midland Bank	1,500	375	+5	Smiths Inds.	111	281	+1
BICC	605	470	+5	Gen. Accident	386	1183	+15	NatWest Bank	3,800	348	-2	Standard Chartd	1,100	643	+5
BOC	2,000	542	+8	General Elect.	4,100	224	+1	Next	7,000	79	+1	Storehouse	1,000	113	+1
BPB Inds.	184	231	+4	Glaxo	3,400	794	+4	Northern Foods	66	327	+2	Sun Alliance	1,100	[illegible]	+5
BTR	2,400	408	+12	Globe Inv.	241	188	+1	Pearl	8	868	+1	Sun Life	6	[illegible]	
Barclays	8,300	558	-1	Glynwed Int.	583	287	+2	Pearson	58	750	+2	T&N	164	214	+9
Bass	631	1065	+11	Granada	688	318	+5	P & O	938	684	-3	TI Group	416	417	-1
Beazer	305	185	+1	Grand Met.	1,500	613	+2	Pilkington	1,200	232	+2	TSB	4,100	124	+½
Berisford Int.	887	144	-10	GUS A	42	1082	+3	Polly Peck Intl.	1,900	368	-3	Tarmac	2,400	232	+5
Blue Arrow	864	87		GRE	1,300	236	+5	Prudential	4,500	223	+4	Tate & Lyle	1,100	[illegible]	+3
Blue Circle	1,500	234	+6	GKN	294	438	+4	RHM	133	424		Taylor Woodrow	1,300	[illegible]	+5
Boots	2,100	289		Guinness	1,400	660	+6	RMC	472	873	+6	Tesco	2,100	[illegible]	+1½
Brit. & Comm.	2,300	88	-1	Hammerson "A"	356	831	+9	RTZ	1,500	567	+1	THORN EMI	673	780	+7
Brit. Aerospace	888	573	+7	Hanson	7,300	220½	+2½	Racal	7,300	244	+5	Trafalgar House	1,800	388	-1
British Airways	2,700	221	+1	Hanson Warrants	1,300	54	+2	Racal Tele em	115	398	-1	Trusthouse Forte	2,000	304	+3
British Gas	7,700	225	+1	Harrisons Cros.	218	158		Rank Org.	848	841	+4	Ultramar	1,300	359	+2
British Land	2,800	383	+6	Hawker Sidd.	486	886	+10	Reckitt & Colman	386	1284	+11	Unigate	285	318	-5
BP	8,300	327½	-2	Hillsdown	2,800	264	-4	Redland	881	560	+8	Unilever	830	705	+6
British Steel	2,500	133	+½	IMI	145	214	+1	Reed Intl.	840	449	+2	United Biscuits	477	348	
British Telecom	8,000	290	+2½	ICI	810	1119		Reuters	1,200	1083	+10	Utd. Newspapers	116	478	+1
Bunzl	5,400	134		Inchcape	348	385	+1	Rolls Royce	1,400	177	+4	Wellcome	413	738	+1
Burmah Oil	452	690	+6	Jaguar	3	846		Rothmans	159	880	+2	Whitbread "A"	868	388	+1
Burton	2,500	197	+4	Kingfisher	248	294	+2	Ryl Bk Scotland	1,700	208	+4	Williams Hldgs	2,400	287	+3
Cable & Wire.	4,500	530	+5	Ladbroke	877	326	+7	Royal Insurance	2,300	542	+15	Willis Faber	677	273	+8
Cadburys	2,400	345	-2	Land Securities	373	624	+1	STC	643	244	-1	Wimpey	241	343	+3
Calor Group	713	421		Laporte	2	490	-1	Saatchi	192	283	+8				
Carlton Comms.	928	888	+10	Legal & General	1,300	408	+2	Sainsbury	1,300	238	+2				
Coats Viyella	289	141		Lloyds Abbey	412	308	+4	Scottish & New.	610	387	+8				

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm

Heavy buying of water

Water issues moved up following the announcement by Lyonnaise UK that it had built up stakes in three of recently-floated companies. Lyonnaise, a subsidiary of French group Lyonnaise des Eaux, said it had bought 26.5m Anglian shares for a 9 per cent stake, 6.2m shares in Wessex for 6 per cent stake and 7.1m Severn Trent shares for a stake of two per cent. Lyonnaise said it made no application for shares in any of the water holdings companies via the public offers sale.

News of Lyonnaise holdings in those Anglian and Wessex companies came as no surprise because of its interests in statutory water companies in those areas, but the Severn holding was a surprise. There was disagreement among analysts over why Lyonnaise had acquired the Severn stake.

"In many respects all the companies possess similar characteristics, it was a value judgment which Lyonnaise went into," said Mr Peter Hyde analyst at Kleinwort Benson; "my guess is that they have talked to all ten companies in last few months."

"There is an element of poker with Générale des Eaux which has 29 per cent stake in the South Staffs statutory water company in the Severn Trent area," said Robert Miller-Bakewell, water analyst at County NatWest WoodMac. "Both companies have stakes in Bristol and there are already shenanigans around the the creation of the Three Valleys water company" in which both have stakes.

Anglian closed 2 down at 161p, Severn Trent rose 14 to 163p and Wessex added 10 to to 162p. Northumbrian, which had been tipped as the most likely object of French attentions, finished 3 better 161p. North West 8 to 145, Southern 9 to 142, Thames 12 to 148, Welsh 10 to 152, York 9 to 157. The Package Unit added 90 to 1418p. Trading in water options, particularly the Package Option, dominated the London traded options market.

BET falls

BET registered the worst performance among FT-SE 100 stocks in the wake of its announcement, made after the market closed on Friday, that it was making an agreed bid of £192m, or 325p a share, for Hestair. BET fell 18 to 256p while Hestair jumped 24 to 331p. Turnovers, at 4.5m and 1.8m respectively, were high.

Dealers said that buying of Hestair shares was dominated by arbitrageurs while BET's weakness was the result of doubts over how well a personnel services company might fit with core, marketing, largely industrial businesses. There were also fears that BET might become involved in an auction with Adia, the Swiss personnel services group, which has bid 282p a share for Hestair. Adia said yesterday it had received 0.3 per cent acceptances for that offer and was extending it until 3pm on January 5 1990.

Dealers favoured BET in the battle for control of Hestair, saying that it would succeed either with its current bid or a small increase up to a ceiling of 350p.

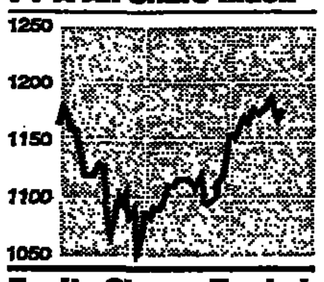
Stores remained one of the dullest spots in a largely sprightly market. Favourites such as Marks & Spencer, a ½ easier at 189½p, and Ratners, a penny off at 248p, struggled to hold their ground. Even Dixons, the subject of a bid from Kingfisher, did not lure investors away from other, firmer, sectors. The shares closed a penny better at 133p while Kingfisher added 2 at 294p.

Dealings in the sector were enlivened just before the close of business by large trades in Sears and Next, which ended with turnovers of 4.9m and 7m respectively. The share prices were unruffled by the activity and finished unchanged at 103p and a penny better at 79p respectively.

Composite insurers put in a good performance, helped by a wire service article during the day. It said that the spate of merger activity among European insurers was set to continue into the 1990s with British companies among the likely targets. It quoted several UK analysts. Royal Insurance, 15 better at 542p, and General Accident, which firmed 25 to 1183p led an across the board advance. Royal's turnover was a busy 2.3m shares, but General Accident's volume of less than 390,000 shares was uninspiring.

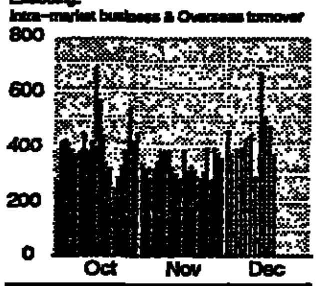
Among lifes, Prudential stood out with strong turnover of 5.5m shares, although dealers said that if a 1.9m block which registered on the Seaq ticker during one of the day's programme trades were stripped out, the volume had not been especially high. The shares advanced 4 to 223p.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: Intra-market business & Overseas turnover



Insurance brokers were quiet with the exception of Willis Faber. The shares advanced 8 to 273p on steady turnover of 677,000 and with broker Hoare Govett aggressively on the bid. There was a press suggestion US broker Johnson & Higgins might increase its 5 per cent stake in the company. Some dealers also pointed to the likely approval next week of a share buy-back operation to be conducted by Willis with cash received for its stake in merchant bank Morgan Grenfell. "Marketmakers are going long in anticipation of the decision," said one dealer.

Clearing banks slipped against the trend after several weeks of outperforming the market. Barclays shed a penny to 558p, Nat West lost 2 to 348p and Lloyds closed unchanged at 435p. The exception, Midland, was buoyed by a revival of speculation over what would become of the 14.9 per cent stake in the bank held by Hongkong & Shanghai Bank. The possibility of it being used as the basis of a bid, either by Hongkong & Shanghai or by a third party, was enough the push the shares to 377p. They subsided by the close to 375p, still 5 better on the day. Dealers were sanguine about the bid talk. "We'll get rumours every day until something happens," said one.

Cookson were sold in the day's programme trading and ended a penny cheaper at 257p on good volume for the stock of 1.8m.

Firm crude oil prices were behind a generally better performance by oil and gas stocks. Crude prices responded to the heavy weather in Northern Europe which some feared could have damaged North Sea installations.

A handful of the leaders tended to be left behind — BP were down a couple of pence at 328p on persistent light selling. A single trade of 2.3m was thought to have been part of a series of programme trades carried out in the market.

Shell, heavily sold at the back end of last week, moved up 2½ to 477p with dealers talking of a big buyer in the market, boosting overall turnover to more than 4m shares. Turnover in British Gas approached 8m shares and the price managed a minor improvement at 225p.

Burmah moved up 6 to 690p on turnover of less than half a million shares with speculators buying the stock on the back of further stories that SHV, the privately-owned Dutch group, may have been back into the market to add to their holding last revealed as around 9 per cent.

The exploration and production stocks provided a handful of firm features. Enterprise added 7 at 653p on 670,000 shares, on takeover speculation. LASMO, where a single trade of 744,000 shares was said to have been part of the programmes trades that featured the market yesterday. LASMO closed 2½ higher at 580½p with turnover coming out at 1m.

British Telecom climbed 2½ to 290p on good volume of 8m. Business was also strong Cable & Wireless which closed 5 higher on 530p after 4.5m shares were traded. Both issues were reportedly boosted by US buying. Other electronics frontliners moved ahead with the market. GEC rose 1 to 224p, Thorn EMI added 7 to 780p and Racal Electronic climbed 5 to 244p.

Fisons closed 5 higher at 340p following the news that it had made a £270m recommended bid for VG Instruments which closed 16 down at 519p. RAT, which owns 69 per cent of VG and has approved the deal, rose 6 to 826p. "It was not a surprise because it is known that Fisons were bidding for Link Analytical when that was bought by Oxford Instruments," said Mr Andrew Harrington of BZW. "The Link price was 15 times earnings, VG was taken out at 23 or 24 times earnings. Fisons paid a top price."

BTR moved up sharply in a thin market following favourable comment in Sunday newspapers. The shares ended 12 higher at 469p.

Berisford International, the food manufacturer, posted a small improvement in full-year profits to £107.3m which combined with the stepping down of the chief executive to leave the shares 10 lower at 144p.

Year-end profits down from £11.8m to £4.5m also hit food company Acatos and Hutcheson. The shares slipped 12 before recovering to 152p, only 3 lower on the day. The accompanying chairman's statement said that the figures were "extremely disappointing" but was optimistic on the current year's trading.

Good volume of 4.5m in Asda included 1.2m in a programme trade. The shares added 2¼ at 107¼p.

Brewery stocks had a dull day with many of the leaders and second liners underperforming the market's rise. Second line brewers had a particularly difficult time, still labouring under the shadow of disappointing figures from Wolverhampton & Dudley and from Devenish last week. They ended 4 off at 338p and a penny lower at 286p respectively. Greenall Whitley published full year results today (analysts at BZW are forecasting £52m in profits) and shed 2 to 358p.

Some brewery leaders were helped by being part of the day's programme trades. Dealers singled out Bass, 11 better at 1065p on turnover of 631,000 and Guinness, up 6 at 660p with 1.4m shares changing hands, as the main beneficiaries.

Interim figures from Bromsgrove Industries, the acquisitive West Midlands engineering group, showed a 49 per cent improvement in profits, more than analysts' forecasts, and the shares firmed 5 to 123p.

Doctus, whose core business is management consultancy, revealed a full year profits rise of 83 per cent to £8.4m. The shares responded accordingly, jumping 12 to 107p.

Stories of an imminent bid from the Continent for T & N pushed the shares 9 better to 214p. "They're meant to be the first big bid of the 1990s," said one dealer sceptically.

British Airways was steady as rest of the market rose, closing a penny ahead at 221p. Market makers blamed profit-taking in New York for BA's relatively poor showing. One observer said that the airline's performance was still encouraging because following last week's rise it was now holding steady at levels it had not reached since October, 1987, and was only ten points below its pre-crash high.

Two volatile transport issues continued their erratic movements. Davies & Newman dropped 40 to 735p with volume as thin as usual. Eurotunnel added 22 to 545p following the release of a report by Maitre d'Oeuvres which suggested that Eurotunnel will have its way on costs. The Maitre is an independent engineering consultanct responsible for supervising the construction contract and liaising between Eurotunnel and TML the contractors. One marketmaker said that even before the announcement there had been heavy buying and selling from France.

"The Maitre has no not proved the force he was expected to be," said Mr Matthew Stainer at County NatWest WoodMac. "Purely in isolation this is good news for Eurotunnel."

Mr Stainer said that more important was the decision by the Inter-Governmental Commission (IGC) on the question of segregation of cars and passengers in the tunnel which he expected this week and, more importantly, the outcome of negotiations between Eurotunnel, TML and the banks on funding which would probably be known in January.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 18

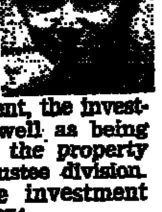
NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (88).
BRITISH FUNDS (1) Treas. 2pc IL 90, AMERICANS (3) American T & T, Bell Atlantic, BellSouth, BANKS (2) Comerzbk., Union Discount, STORES (1) Body Shop, ELECTRICALS (2) Renishaw, Ross Grp., ENGINEERING (1) Thyssen, INDUSTRIALS (4) BOC, Hestair, ISS-Int Serv. Sys. B, Stora "B", INSURANCE (3) Comm. Union, Hibernian Gp., Royal Insce., PAPERS (1) U.K. Paper, PROPERTY (2) London & Edinburgh, Power Corp., TRANSPORT (1) Bergesen, TRUSTS (16) OILS (5) OVERSEAS TRADERS (1) Mitsubishi Crp., MINES (16)

NEW LOWS (36).
AMERICANS (2) Ford Motor, Gt. Am. Bank, BREWERS (1) Greene King, BUILDINGS (2) Copson (F), Wiggins, STORES (2) Empire Stores, House of Lerose, ELECTRICALS (4) Britannia Sec., Butler Cox, Domino Print., Logitek, ENGINEERING (1) Birmingham Mint, FOODS (1) Acatos & Hutch., INDUSTRIALS (8) Amberley, Arley, Benson, Brown & Tawse, Doctus, Norton, Oakwood, Platignum, PAPERS (4) Ferguson Ind., Gold Greenlees, Horne (Robert), Yellowhammer, TEXTILES (4) Drummond, Kynoch (G & G), Sirdar, Victoria Carpet, TRUSTS (8) OILS (1) MINES (2) THIRD MARKET (1)

APPOINTMENTS

Investments chief at GRE



GUARDIAN ROYAL EXCHANGE has appointed Ms Caroline Burton as its general manager, investments, the first woman in GRE to be promoted to such a senior post. She will continue as managing director of GRE Asset Management, the investment arm, as well as being responsible for the property portfolio and trustee division. She joined the investment department in 1974.

■ Mr Ian C. Watson has been appointed managing director of OKO TRADE INTERNATIONAL, a subsidiary of OKOBANK. He was with the APV Group.

■ *Mr Christopher Hills* has been appointed a director of BARING FUND MANAGERS, and will manage four UK unit trusts.

■ Mr John Robertshaw, York Trust, has been re-elected a deputy chairman of FIMBRA, and Mr Ron Gee, R.E. Gee & Co, was elected a deputy chairman.

■ Mr David Moll has joined PHOSYN CHEMICALS, Pocklington, as sales and marketing director. He was with ABM Micro-feed Chemical Group.

■ CAPITA SYSTEMS has appointed Mr Ray Wallace as divisional director.

■ *Mr Peter D. Sutherland*, chairman of Allied Irish Banks, has been appointed a non-executive director of THE BRITISH PRETROLEUM COMPANY from January 2.

■ Mr John East has been apppointed group chief executive of THE GUIDEHOUSE GROUP, retaining overall responsibility for Guidehouse Securities. Mr Michael Jackson has been appointed managing director of the commercial division.

■ Mr Michael C. Clarke has joined the board of DAVY OFFSHORE as managing director (operations). He was managing director of Davy Mining, and remains a director of Davy McKee (Stockton).

■ Mr Nigel Davey has been appointed managing director of COLOROLL contracts division. He was at Heuga.

■ Mr Robin Hill, chairman of BRITISH GAS Scotland, succeeds Mr Howard Greenfield as chairman of British Gas North Western on January 1. Mr Greenfield becomes project director, regional organisation review, at British Gas HQ in London.

■ Ms Jane A. Pickering has been appointed managing director of DOREMUS PUBLIC RELATIONS, London, from January 2.

■ Mr Peter Jones has been appointed retail managing director, and Mr Jonathan Garvey building services managing director at *NORTHERN ELECTRIC*.

■ BANK OF AMERICA has appointed Dr Michael R. Smith as vice president in its project and export finance group. He joins from Lloyds Bank, where he was a capital markets group director in the project advisory services unit.

■ Mr Richard Bourchier has joined JOHN WEST FOODS as chairman. He was senior marketing executive, Unilever frozen products co-ordination, Netherlands, and succeeds Mr Ron Walledge who is now chairman of Unilever New Zealand.

■ HALIFAX INSURANCE CO, a Provident Financial Group subsidiary, has appointed Mr Chris Johnstone as managing director. He was finance director.

■ The FOREIGN BANKS AND SECURITIES HOUSES ASSOCIATION has elected as chairman Mr F.H. Brittain, general manager of Osterreichische Länderbank, London.

■ *Dr Ashley Flett* has been appointed a director of MARKETING DYNAMICS.

■ Mr Alastair Ross Goobey has been appointed to the main board of CHELTENHAM & GLOUCESTER BUILDING SOCIETY as a non-executive director. He is chief investment strategist at James Capel & Co.

■ Mr Ken Lewis has been appointed chief executive of *LOVELLS CONFECTIONERY*. He was chairman and chief executive of House of Clarks.

■ MTM has appointed Mr John Briggs as managing director of MTM Pharmaceuticals. He was managing director of the Sandbach division of MTM Speciality Chemicals.

Mr Tony Hortopp *(above)* has been appointed director of the financial systems operation of McDONNELL DOUGLAS INFORMATION SYSTEMS, based in the City of London.

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

AUTHORISED UNIT TRUSTS

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♦ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours, ♦ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust information pages.

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OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

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MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (**)

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FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
134	124	Treas 2pc IL '90(84.6)	134	+	2.09	9.98
99	98	Exch 11pc 1990	99	.....	11.08	14.99
101	99	Exch. 12½pc 1990	99	.....	12.57	14.68
96	91	Treas. 3pc 1990	96	.....	3.10	12.20
97	95	Treas 8¼pc 1987-90	97	+	8.47	13.94
98	95¼	Treas. 8pc Cv 1990	96	+	8.23	13.90
98	96	Treas. 10pc Cv 1990	96	+	10.32	13.90
93	87	Exch 2½pc 1990	93	–	2.69	10.56
101	98	Treas 11¾pc 1991	98	.....	11.98	13.61
93	89	Funding 5¾pc '87-91	92	+	6.20	11.96
90	86	Treas 3pc 1991	90½	+	3.31	10.44
100	95	Treas 10pc Cv '91	95	–	10.43	13.05
101	96	Exch. 11pc 1991	97	–	11.33	12.77
94	91	Treas. 8pc 1991	92	–	8.69	12.66
106	100	Treas 12¾pc 1992	100	–	12.68	12.29
99½	95	Treas 10pc 1992	95	–	10.45	12.26
94	90	Treas. 8pc 1992	91	–	8.73	12.22
100	96	Treas 10½pc Cv 1992	96	–	10.83	11.99
85	82	Treas. 3pc 1992	84	+	3.55	10.27
105	99	Exch. 12¼pc '92	100	–	12.19	12.02
109	103	Exch 13½pc 1992	103	–	13.01	11.84
94	90	Treas 8½pc 1993	91	–	9.05	11.64
100	95	Treas 10pc 1993	95	–	10.42	11.48
108	101	Treas 12½pc 1993	102	–	12.17	11.56
88	84	Funding 6pc 1993	85	+	7.00	11.73
113	106	Treas 13¾pc 1993	107	–	12.84	11.45
94	89	Treas. 8½pc 1994	90	–	9.40	11.46
117	109	Treas 14½pc 1994	110	–	13.11	11.24
113	106	Exch 13½pc 1994	107	–	12.61	11.39
100	94	Treas. 10pc Ln. 1994	95	–	10.43	11.18
110	102	Exch. 12½pc 1994	103	–	12.03	11.37
96	91	Treas 9pc 1994	92	–	9.78	11.13

Five to Fifteen Years

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
108	101	Treas 12pc 1995	102	–	11.69	11.27
79	72	Exch 3pc Gas 90–95	76	+	3.95	8.68
101	95	Exch. 10¼pc 1995	96	–	10.63	11.14
113	106	Treas 12¾pc 1995	107	–	11.87	11.00

LOANS

Building Societies

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
100	99	N'wide Anglia 12 pc 2 1 90	99	.....	12.83	15.52
100	98	Do. 12 pc 29.1.90	99	...	12.63	15.13
100	98	Do 12 pc 26 2 90	99	...	12.72	15.12
100	98	Do. 12 pc 14 3 90	99	....	12.96	15.18
100	98	Do 13 pc 23 4 90	99	.....	13.43	15.22
100	98	Do. 13pc 24.5 90	99	...	13.11	15.27
100	98	Do 13 pc 4/6/90	99	...	13.77	15.15
100	99	Do 14 pc 2 7 90	99	...	14.37	15.16
100	98	Do. 13 pc 23 7 90	99	.....	13.75	15.09
100	98	Do. 13 pc 13.8.90.	99	...	13.97	14.59
100	99	Do. 13 pc 8ds.3 9 90	99	...	13.64	14.52
107	99	Do. 3 pcIL Ln 2021	107	...	4.34	4.47
107	99	Do. 4.25pcIL '24	106	.....	4.34	4.31

Public Board and Ind.

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
47	43	Met. Wtr. 3pc 'B'	45xd	....	6.67	10.86

FOREIGN BONDS & RAILS

1989 High	Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
50	40	Greek 7pc Ass	50	...	3.5	17.00
56	40	Do. 6pc 28 Stb. Ass	58	.....	3	16.00
50	40	Do 4pc Mixed Ass.	50	...	2	13.00
80	65	Hung '24 Ass.	80		2.75	13.57
139	125	Hydro Quebec 15pc 2011	127	–	15.00	11.45
125	113	Iceland 14½pc Ln 2016	116	–	14.58	12.36
97	90	Ireland 9¾pc 91-96	91	....	10.71	11.60

AMERICANS

Money Market Trust Funds

Money Market Bank Accounts

LONDON SHARE SERVICE

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AMERICANS—Contd

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Contd

ELECTRICALS

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.)—Contd

INSURANCES

هكذا من الأصل

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING – Contd

[illegible]

PROPERTY

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

Finance, Land, etc

[illegible]

TRUSTS, FINANCE, LAND – Contd

[illegible]

For Water Issues see London Recent Equities

OIL AND GAS

[illegible]

OIL AND GAS – Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

MINES – Contd

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

1989 High	Low	Stock	Price	+ or -
46½	23	Whitegate Leisure 20p	38½	–½
32½	10	Do. Wrrnts	25	..
10¼	4½	Wilton Group 1p	5	....

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✤ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ∅ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- ♣ Not comparable
- ◆ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend. P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89 G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or -
Albany Inv 20p ...... γ	88	......
Craig & Rose £1 .. γ	830	......
Finlay Pkg. 5p .... γ	61	......
Holt (Jos) 25p ..... γ	1340	–13
Arnotts	400	.....
Carrol (P.J.) .... γ	155	.....
Hall (R. & H.)	195	...
Heiton Hldgs ...... γ	95	+1
IRG	215xd	......
United Drug	140	......

IRISH

Stock	Price	+ or -
Cap. 8½% Ln. 1991	£96¾	......
9pc Cap Ln. 1996	69¾	......
Fin. 13% 97/02	£115¼	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

Stock	p
Allied-Lyons	41
Amstrad	6½
Aster (BSR)	5¼
BAT	67
BOC Grp	44
BTR	37
Barclays	48
Blue Circle	20
Boots	25
Bowaters	39
Brit Aerospace	46
British Steel	9
Brit. Telecom	22
Cadburys	31
Charter Cons	42
Comm Union	40
Courtaulds	31
Eurotunnel	65
FKI	8
FNFC	22
Gen Accident	92
GEC	19
Glaxo	60
Grand Met	44
Guardian	19
GKN	33
Hanson	18
Hawker Sidd	55
ICI	98
Jaguar	85
Ladbroke	25
Legal & Gen	31
Lex Service	26
Lloyds Bank	31
Lucas Inds	54
Marks & Spencer	16
Midland Bk	26
Morgan Grenfell	38
Nat West Bk	25
P & O Dfd	51
Polly Pck	38
Racal Elect.	28
RHM	39
Rank Org Ord	72
Reed Intnl	34
STC	25
Sears	9
SmKl. Beecham A	48
TI	38
TSB	9
Tesco	16
Thorn EMI	63
Trust Houses	23
T&N	16½
Unilever	57
Vickers	22
Wellcome	55

Property

Stock	p
Brit Land	27
Control Secs	5
Land Securities	45
MEPC	45
Mountleigh	13

Oils

Stock	p
Brit Petroleum	25
Burmah Oil	65
Charterhall	2½
Conroy Petlm	9
Premier	10½
Shell	37
Tuskar Res	12
Ultramar	28½

Mines

Stock	p
Lonrho	23
RTZ	45

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £985 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Bank of France helps franc

The franc was supported yesterday by the Bank of France's decision to raise interest rates by half a point. Elsewhere, the currency markets were quiet with the US dollar and sterling little changed from Friday's closing levels.

The Bank of France's action was the main feature in an uneventful day and even French franc traders were not particularly busy. A rate hike had been discussed in the markets, though dealers said they had not expected the Bank of France to move so soon.

Analysts agreed the speed of the Bank of France's action underlined its commitment to a strong currency. The franc had been trading close to its European Monetary System ceiling against the D-Mark on Friday and threatened to undermine the commitment given last week by Mr Pierre Beregovoy, the French Finance Minister, that it would not be devalued.

"The Bank of France's actions should take some of the short-term pressure off the franc," said Mr Robin Hubbard, of Paribas Capital Markets. He thought that renewed D-Mark strength could force another half point rise in French rates "within a month." But the French rate rise had made it more likely that the franc could avoid being devalued, he said.

Other economists felt that while yesterday's actions will have made it clear to the markets that a devaluation of the franc will not be allowed by the Bank of France, other central banks may not have the same leeway.

Mr Mark Brett at BZW said the pressure on weaker EMS currencies has now increased and has made a realignment more likely. He said the Bundesbank had showed little inclination to stop the D-Mark rise, reflecting that it had become "more pushy" on the need for a realignment. "Some of these realignments could be quite nasty. For example, a two to three per cent devaluation of the Italian lire would not be sufficient." The D-Mark closed at FFr3.4165 compared with FFr3.4190 on Friday.

The rise in French interest rates had little impact on the other major currencies, all of which were thinly traded. The dollar was stalled as dealers waited for news from the US Federal Reserve's policy making Open Market Committee, which met yesterday and today. But analysts said the Fed would follow the Bundesbank and leave monetary policy unchanged.

The dollar closed at DM1.7265 from DM1.7225 on Friday, unchanged at Y144.10, at SFr1.5480 from SFr1.5490, and at FFr5.8975 from FFr5.8875. The dollar's index, as calculated by the Bank of England, was unchanged at 67.9.

Sterling was quiet and the market lacked direction. It closed at DM2.7675 from DM2.7625, at $1.6030 from $1.6045, at SFr2.4825 from SFr2.4850, at Y231.00 from Y231.25, and at FFr9.4525 from FFr9.4475. The Sterling index closed 0.1 lower at 86.5.

£ IN NEW YORK

Dec.18	Latest	Previous Close
£ Spot	1.6040-1.6050	1.6025-1.6035
1 month	0.84-0.83pm	0.85-0.84pm
3 months	2.39-2.36pm	2.50-2.47pm
12 months	8.38-8.28pm	8.95-8.87pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Dec.18	Previous
8.30 am	86.5	86.7
9.00 am	86.5	86.7
10.00 am	86.5	86.7
11.00 am	86.4	86.7
Noon	86.4	86.8
1.00 pm	86.4	86.7
2.00 pm	86.3	86.7
3.00 pm	86.4	86.7
4.00 pm	86.5	86.6

CURRENCY RATES

Dec.18	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling ‡	-	1.22992	1.36196
U.S Dollar	7	1.30269	1.17514
Canadian $	12.46	1.51164	1.36481
Austrian Sch.	6½	15.9137	14.2827
Belgian Franc	10¼	47.5417	42.6783
Danish Krone	10½	8.78013	7.88933
Deutsche Mark	6.00	2.26017	2.02865
Neth.Guilder	7.00	2.55262	2.29012
French Franc	10¼	7.73147	6.93276
Italian Lira	13½	1687.96	1517.40
Japanese Yen	3¼	188.017	169.573
Norway Krone	8	8.70979	7.83938
Spanish Peseta	-	146.197	131.181
Swedish Krona	9½	8.17568	7.36933
Swiss Franc	6.00	2.02568	1.81854
Greek Drach.	20½	207.518	187.412
Irish Punt	-	0.856318	0.769728

‡ Sterling quoted in terms of SDR and ECU per £.
† European Commission Calculations.
* All SDR rates are for Dec.15

CURRENCY MOVEMENTS

Dec.18	Bank of England Index	Morgan** Guaranty Changes %
Sterling	86.5	-24.5
U.S Dollar	67.9	-10.2
Canadian Dollar	105.2	+2.2
Austrian Schilling	109.8	+12.2
Belgian Franc	109.3	-3.8
Danish Krone	108.5	+3.3
Deutsche Mark	118.8	+25.2
Swiss Franc	107.7	+15.5
Guilder	114.4	+16.5
French Franc	103.0	-12.3
Lira	99.5	-19.2
Yen	131.4	+61.6

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100)**Rates are for Dec.15.

OTHER CURRENCIES

Dec.18	£	$
Argentina	1593.50-1610.55	995.00-1005.00
Australia	2.0465-2.0485	1.2765-1.2775
Brazil	12.9255-13.0075	8.0710-8.1120
Finland	6.5510-6.5635	4.0860-4.0880
Greece	253.10-257.60	157.65-160.20
Hong Kong	12.5120-12.5250	7.8065-7.8085
[illegible]	[illegible]	[illegible]
S. Af (Fn)	6.2430-6.3170	3.8910-3.9370
Taiwan	42.05-42.15	26.20-26.25
U.A.E.	5.8890-5.8930	3.6720-3.6730

*Selling rate

EURO-CURRENCY INTEREST RATES

Dec 18	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	15⅛-15¼	15⅛-15¼	15⅛-15¼	15⅛-15¼	15¼-14⅞	14⅞-14⅞
US Dollar	8½-8¼	8½-8¼	8½-8¼	8½-8¼	8¼-8¼	8¼-8¼
Can. Dollar	12¼-12	12¼-12	12¼-11¾	12¼-11¾	11⅞-11⅞	11⅞-11¾
D. Guilder	8¼-8¼	8¼-8¼	8¼-8¼	8¼-8¼	8¼-8¼	8¼-8¼
Sw. Franc	8¼-8¼	8¼-8¼	8¼-8¼	8¼-8¼	8¼-8¼	8¼-8¼
Deutschmark	7⅞-7¾	7⅞-7¾	8-7¾	8¼-8¼	8¼-8¼	8¼-8¼
Fr. Franc	10¾-10¼	10¾-10¼	10⅞-10⅞	11-10¾	11-10¾	11-10¾
Italian Lira	13-11	14-13	13¾-13¼	13¾-12¾	13¼-12¾	13¼-12¾
B. Fr. (Fin)	9⅞-9⅞	9⅞-9⅞	10¼-10¼	10¼-10¼	10¼-10¼	10¼-10¼
B. Fr. (Con)	9¾-9¼	10¼-9¾	10¼-9¾	10¼-10	10¼-9¾	10¼-9¾
Yen	6¼-6¼	6½-6⅜	6¼-6½	6½-6½	6¼-6½	6½-6¼
D. Krone	12¼-12	12¼-12¼	12¼-12¼	12¼-12¼	11⅞-11¾	11⅞-11¾
Asian $Sing	8⅞-8⅞	8⅞-8¼	8⅞-8⅞	8¼-8½	8⅞-8⅞	8¼-8¼

Long term Eurodollars: two years 8¼-8¼ per cent; three years 8⅞-8⅞ per cent; four years 8⅞-8⅞ per cent; five years 8¼-8¼ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT - FORWARD AGAINST THE POUND

[illegible]

Commercial rates taken towards the end of London trading. Belgian rate is convertible francs. Financial franc 58.15-58.25 Six-month forward dollar 4.92-4.87cpm 12 Month 8.96-8.86cpm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

Commercial rates taken towards the end of London trading. † UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 36.25-36.35.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Dec.18	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	42.6783	+0.52	+0.52	±1.5508
Danish Krone	7.85212	7.88933	+0.47	+0.47	±1.6453
German D-Mark	2.05853	2.02865	-1.45	-1.45	±1.1762
French Franc	6.90403	6.93276	+0.42	+0.42	±1.3618
Dutch Guilder	2.31943	2.29012	-1.26	-1.26	±1.5272
Irish Punt	0.768411	0.769728	+0.17	+0.17	±1.6689
Italian Lira	1483.58	1517.40	+2.28	+2.28	±4.0410
Spanish Peseta	133.804	131.181	-1.96	-1.96	±4.2705

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS £50,000 64ths of 100%

LIFFE US TREASURY BOND FUTURES OPTIONS $100,000 64ths of 100%

LIFFE BUND FUTURES OPTIONS DM250,000 points of 100%

LIFFE £/$ OPTIONS £25,000 (cents per £1)

LIFFE EURODOLLAR OPTIONS $1m points of 100%

LIFFE SHORT STERLING OPTIONS £500,000 points of 100%

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

JAPANESE YEN (IMM) Y12.5m $ per Y100

POUND-$ (FOREIGN EXCHANGE)

IMM-STERLING $ per £

DEUTSCHE MARK (IMM) DM125,000 $ per DM

U.S. TREASURY BILLS (IMM) $1m points of 100%

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

STANDARD & POORS 500 INDEX $500 times index

SWISS FRANC (IMM) SFr 125,000 $ per SFr

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per £1)

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT £50,000 32nds of 100%

US TREASURY BONDS 8% $100,000 32nds of 100%

6% NOTIONAL GERMAN GOVT. BOND DM250,000 100ths of 100%

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

THREE MONTH STERLING £500,000 points of 100%

THREE MONTH EURODOLLAR $1m points of 100%

THREE MONTH EUROMARK DM 1m points of 100%

THREE MONTH ECU ECU 1m points of 100%

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev.
Dec	2367.0	2374.0	2349.0	2345.0
Mar	2418.0	2425.0	2402.0	2397.0
Jun	2459.0			2436.0

Estimated volume 6756 (4386)
Previous day's open int. 32435 (32977)

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS : 32,250
A=Ask B=Bid C=Call P=Put

MONEY MARKETS

Rates steady

European money market rates were broadly steady yesterday with the rise in French interest rates having little impact outside of Paris as dealing virtually ground to a halt in the run-up to the Christmas holiday.

In Paris short-term money market rates rose after the Bank of France raised its official rates by half a point in order to bolster the weakening French franc. French call money rates adjusted to the move, rising to 10⅝-10¾ from 10⅛-10⅜ per cent on Friday. Analysts said there had been some speculation that rates would rise, though not so quickly. They added that after an initial flurry at the time of the announcement, trading in the French money markets turned quiet. But any renewed advance by the D-Mark is likely to push French rates higher, and analysts said this could come as early as January.

In London UK money market rates were little changed in lacklustre trading before the Christmas holiday. The key three-months interbank rate was quoted at 15⅛-15⅛, compared with 15⅛-15¼ per cent on Friday, while the futures markets were also steady.

In its daily money market operations, the Bank of England forecast a shortage of around £150m, which it revised later in the morning to £200m. The Bank did not operate in the morning or the afternoon, and it revised its forecast to a flat position. Late assistance of around £70m was provided.

The Bank's forecast shortage included maturing assistance and take-up of Treasury bills which were expected to drain £812m. But this was offset by Exchequer transactions which were estimated to add £110m of liquidity, a fall in the note circulation £440m, and bankers balances above target £95m.

In Frankfurt short money rates rose as December's tax payments drained liquidity from the system. Call money rates rose to 7.55-7.65 per cent at one stage, but towards the close they slipped back to 7.50-7.60, compared with 7.45-7.55 on Friday. Dealing was quiet and the rise in French rates had no effect in the Frankfurt markets.

In New York the Federal Reserve refrained from operating in the money markets, which analysts said carried no policy implications. Federal Funds were trading at 8½ per cent at the normal time of its daily operations, unchanged from Friday.

UK clearing bank base lending rate 15 per cent from October 5

FT LONDON INTERBANK FIXING

(11.00 a.m. Dec.18) 3 months US dollars: bid 8⅝ offer 8¾ — 6 months US Dollars: bid 8⅝ offer 8¾

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime) — Treasury Bills and Bonds

[illegible]

LONDON MONEY RATES

[illegible]

BASE LENDING RATES

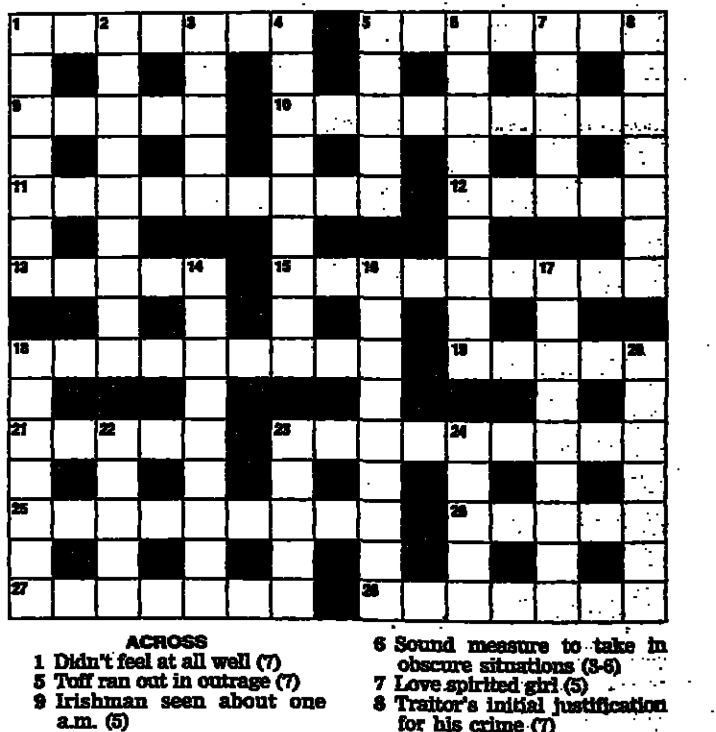
	%		%		%
ABN Bank	15	Comm.Bk.N.East	15	Northern Bank Ltd	15
Adam & Company	15	Co-operative Bank	*15	Norwich Gen. Trust	15
Allied Trust Bank	15	Coutts & Co	15	Nykredit Mortgage Bank	15½
Allied Irish Bank	15	Cyprus Popular Bk	15	PRIVATbanken Limited	15
● Henry Ansbacher	15	Dunbar Bank PLC	15	Provincial Bank PLC	16
Associates Cap Corp	14	Duncan Lawrie	15	Roxburghe G'rantee	15½
Authority Bank	15	Equatorial Bank plc	15	Royal Bk of Scotland	15
● B & C Merchant Bank	15	Exeter Trust Ltd	15½	Royal Trust Bank	15
Bank of Baroda	15	Financial & Gen. Bank	15	● Smith & Williamson Secs.	15
Banco Bilbao Vizcaya	15	First National Bank Plc.	16	Standard Chartered	15
Bank Hapoalim	15	● Robert Fleming & Co.	15	TSB	15
Bank Credit & Comm	15	Robert Fraser & Ptnrs.	15½	United Bk of Kuwait	15
Bank of Cyprus	15	Girobank	15	United Mizrahi Bank	15
Bank of Ireland	15	● Guinness Mahon	15	Unity Trust Bank Plc	15
Bank of India	15	HFC Bank plc	15	Western Trust	15
Bank of Scotland	15	● Hambros Bank	15	Westpac Bank Corp.	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Whiteaway Laidlaw	15
Barclays Bank	15	Heritable & Gen Inv Bnk.	15	Yorkshire Bank	15
Benchmark Bank PLC	15	● Hill Samuel	§15		
Brit Bk of Mid East	15	C. Hoare & Co.	15		
● Brown Shipley	15	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk.	15		
Clydesdale Bank	15	Midland Bank	15		
		Mount Banking	15		
		Nat Bk. of Kuwait	15		
		NatWestminster	15		

● Members of British Merchant Banking & Securities Houses Association. * Deposit now 5.9% Savewise 8.5%. Top Tier-£10,000+ instant access 12.8% ‡ Mortgage base rate. § Demand deposit 9%. Mortgage 15.2% - 15.95%

JOTTER PAD

CROSSWORD

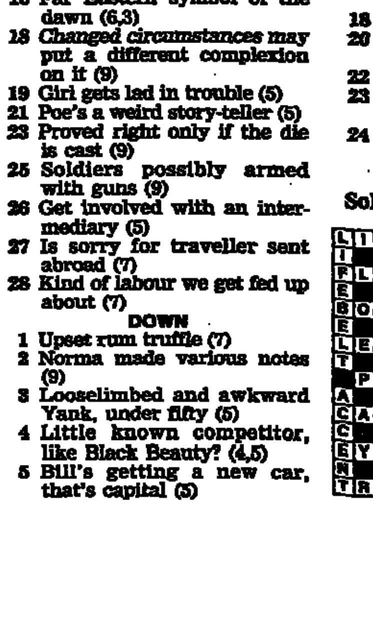
No.7,119 Set by DANTE



ACROSS
1 Didn't feel at all well (7)
5 Toff ran out in cottage (7)
9 Irishman seen about one a.m. (5)
10 Identify and approve (9)
11 Unusually soft, hairy shrub (9)
12 Plans to move aside (5)
13 They join the course (5)
15 Far Eastern symbol of the dawn (6,3)
18 Changed circumstances may put a different complexion on it (9)
19 Girl gets led in trouble (5)
21 Poe's a weird story-teller (5)
23 Proved right only if the die is cast (9)
25 Soldiers possibly armed with guns (9)
26 Get involved with an intermediary (5)
27 Is sorry for traveller sent abroad (7)
28 Kind of labour we get fed up about (7)

DOWN
1 Upset rum truffle (7)
2 Norma made various notes (9)
3 Looselimbed and awkward Yank, under fifty (5)
4 Little known competitor, like Black Beauty? (4,5)
5 Bill's getting a new car, that's capital (5)
6 Sound measure to take in obscure situations (3-6)
7 Love-spirited girl (5)
8 Traitor's initial justification for his crime (7)
14 A plain fellow treated like a doormat (7,2)
16 What vocalists do for convivial occasions (4-5)
17 Many in conscious thought (9)
18 Horse-plate (7)
20 Made a searching examination, by all accounts (7)
22 Sarcastic note (5)
23 They are posted either side of the door (5)
24 I am a long time getting the likeness (5)

Solution to Puzzle No.7,118



WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

FRANCE (continued)

[illegible]

GERMANY

[illegible]

GERMANY (continued)

[illegible]

ITALY

[illegible]

ITALY (continued)

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

SINGAPORE

[illegible]

JAPAN

[illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO

4pm prices December 18

Quotations in cents unless marked $.

[illegible]

...

28900 Carena	$27	27	27
2450 Cascades	$5½	5	5¼ + ⅛
400 Celanese	$29¾	29⅞	29⅞ – ⅛
5403 Con Capital	$11¼	11⅛	11⅛ – ¼
23042 CenCap A	$9⅞	9⅝	9⅝ – ⅛
3090 ConFd A	$6¾	6⅝	6¾ + ⅛
9386 C Guar Trc	$10½	10¼	10¼ – ¼
58700 Charan	67	60	60 – 5
5800 Chieftan	$22⅝	22	22⅛ – ⅛
200 CHUM B f	$25½	25½	25½ + ½
90370 Cineplex	$9⅞	9⅛	9⅛ – ½
15500 Co Steel I	$16	16	16

[illegible]

Total Sales 8,051,839 shares.

† – No voting rights or restricted voting rights.

MONTREAL

4pm prices December 18

[illegible]

INDICES

NEW YORK

DOW JONES	Dec 18	Dec 15	Dec 14	Dec 13	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2697.53	2739.55	2753.63	2761.09	2791.41 (9/10)	2144.64 (3/1)	2791.41 (9/10/89)	41.22 (2/7/32)
Home Bonds	93.47	93.37	93.45	93.45	94.15 (2/8)	87.35 (23/3)	—	—
Transport	1140.83	1170.70	1185.63	1203.41	1532.01 (5/9)	959.95 (3/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	233.65	235.98	234.66	233.46	235.98 (15/12)	181.84 (24/2)	235.98 (15/12/89)	10.50 (8/4/32)

♦Day's High 2755.55 (2763.65) Low 2679.82 (2703.92)

STANDARD AND POOR'S

	Dec 18	Dec 15	Dec 14	Dec 13	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	343.69	350.14	350.93	352.75	359.80 (9/10)	275.31 (3/1)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	393.60	399.80	400.56	403.07	410.49 (9/10)	318.66 (3/1)	410.49 (9/10/89)	3.62 (21/6/32)
Financial	29.53	30.90	31.37	31.57	35.24 (9/10)	24.30 (3/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	190.17	193.45	193.97	195.01	199.34 (9/10)	154.98 (3/1)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	370.86	375.50	376.82	378.05	397.03 (10/10)	305.24 (3/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	436.03	443.84	447.48	451.14	485.73 (9/10)	378.56 (3/1)	485.73 (9/10/89)	54.87 (31/10/72)

	Dec 12	Dec 8	Dec 1	year ago (approx.)
Dow Industrial Div. Yield	3.89	3.90	3.87	3.73

	Dec 13	Dec 6	Nov 29	year ago (approx.)
S & P Industrial div. yield	2.90	2.92	2.96	3.15
S & P Indl. P/E ratio	14.92	14.82	14.59	12.86

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Bank of N. Eng.	3,489,600	7½	– 1½
Fannie Mae	3,384,800	31⅛	– 2⅝
Am T & T	2,349,400	46	– ⅜
Harcourt Brace	2,147,500	4⅛	– ⅛
IBM	1,911,900	93⅝	– 1⅜
BankAmerica	1,868,000	23⅝	– 2⅛
Marriott	1,661,800	33⅝	– 1
Dun & Bradst.	1,570,200	42⅞	– ⅛
Philip Morris	1,516,300	41½	– ⅝
Chase Manhattan	1,451,700	31⅞	– 1⅛

TRADING ACTIVITY

† Volume Millions	Dec 18	Dec 15	Dec 14
New York	184.750	240.390	178.700
Amex	13.822	14.044	14.497
NASDAQ	(u)	144.387	144.263
Issues Traded	1,988	1,994	2,003
Rises	350	618	519
Falls	1,279	896	1,002
Unchanged	359	480	482
New Highs	52	71	75
New Lows	122	89	87

CANADA

TORONTO	Dec 18	Dec 15	Dec 14	Dec 13	1989 HIGH	1989 LOW
Metals & Minerals	3334.35	3346.51	3347.43	3332.81	3919.2 (1/9)	3207.5 (3/1)
Composite	3958.54	3986.20	3995.33	4005.76	4037.8 (6/10)	3350.5 (6/1)
MONTREAL Portfolio	2022.05	2037.59	2042.66	2046.37	2069.68 (10/10)	1677.48 (3/1)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Dec. 18	Dec. 15	Dec. 14	Dec. 13	1989 HIGH	1989 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1629.2	1619.1	1615.6	1615.2	1781.8 (29/8)	1412.9 (7/4)
All Mining (1/1/80)	819.5	811.0	811.0	813.8	875.1 (29/8)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	460.48	461.35	461.44	461.46	515.09 (11/10)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6399.29	6398.88	6420.37	6443.28	6885.28 (26/9)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	358.80	358.05	357.17	355.38	360.93 (6/12)	275.49 (27/2)
FINLAND						
Unitas General (1975)	612.6	614.3	616.0	617.5	815.8 (18/4)	580.9 (23/11)
FRANCE						
CAC General (31/12/82)	541.6	546.1	546.8	551.8	561.6 (11/10)	417.9 (4/1)
Ind. Tendance (30/12/88)	125.1	126.1	126.6	126.7	128.1 (10/10)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	686.12	684.25	685.73	685.57	700.14 (7/12)	535.78 (27/2)
Commerzbank (1/12/53)	2024.4	2019.1	2020.9	2024.0	2068.9 (7/12)	1595.7 (27/2)
DAX (30/12/87)	1634.57	1627.43	1625.77	1638.54	1664.08 (7/12)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2900.21	2896.57	2876.75	2851.84	3309.64 (15/5)	2093.61 (5/6)
IRELAND						
ISEQ Overall (4/1/88)		1748.96	1768.81	1750.24	1848.93 (10/8)	1360.64 (10/1)
ITALY						
Banca Com. Ital. (1972)	679.59	680.40	675.66	664.04	734.84 (31/8)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	38586.18	38271.04	38180.70	38062.42	38586.18 (18/12)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2884.80	2874.56	2871.90	2878.46	2884.80 (18/12)	2366.91 (6/1)
2nd Section (4/1/68)	3866.95	3856.71	3841.54	3826.91	3866.95 (18/12)	2774.38 (27/3)
NETHERLANDS						
CBS Tril.Rtn.Gen. (End 1983)		259.5	261.6	263.4	272.7 (21/9)	208.3 (3/1)
CBS All Shr (End 1983)		199.1	200.7	202.1	210.5 (8/9)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	674.25	672.68	678.44	668.85	695.50 (28/9)	467.17 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	977.44	1002.81	1062.54	1103.28	1396.26 (20/11)	804.62 (6/2)
SINGAPORE						
Straits Times Ind. (30/12/66)	1460.02	1468.56	1467.98	1464.29	1468.56 (15/12)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	2213.04	2220.0	2180.0	2221.0	2254.0 (12/12)	1291.0 (15/2)
JSE Industrial (28/9/78)	2807.04	2809.0	2811.0	2819.0	2838.0 (25/8)	1961.0 (3/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	914.92	918.04	928.10	915.72	1007.80 (3/4)	844.75 (11/12)
SPAIN						
Madrid SE (30/12/85)	302.48	303.25	303.00	303.03	328.93 (13/9)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	4140.2	4168.8	4151.8	4156.0	4660.3 (16/8)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	745.7	754.4	758.6	760.6	829.1 (6/9)	613.1 (3/1)
TAIWAN**						
Weighted Price (30/6/66)	8674.88	8568.46	8427.87	8619.41	10773.11 (25/9)	4873.01 (5/1)
THAILAND						
Bangkok SET (30/4/75)	815.93	827.81	834.70	832.10	834.70 (14/12)	386.73 (2/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	560.3	559.8	562.5	562.5 (13/12)	487.6 (13/6)

**Saturday Dec. 9: Taiwan Weighted Price: 8408.17 Korea Comp Ex. 850.02.

‡ Subject to official recalculation.

Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000. JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Monday December 18 1989

	Stocks Traded	Closing Prices	Change on day
C.Itoh	28.8m	1,180	+40
Sumitomo M Id	27.9m	905	-4
Tokyu Corp	25.8m	2,870	-30
Mitsubishi Corp	22.3m	2,000	+30
Dowa Mining	18.6m	1,340	-90
Sumitomo Corp	19.2m	1,730	+10
Marubeni	18.3m	1,050	0
Mitsui & Co	17.8m	1,340	0
Mitsubishi Oil	17.8m	1,820	+110
Nippon Mining	17.1m	1,080	+30

AMEX COMPOSITE PRICES

4pm prices December 18

[illegible]

4pm prices December 18

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		- A - A - A -								
37½	24	AAR	.48	1.4	21	243	35	34⅞	34⅞	-⅛
9⅝	8½	ACM n	1.01	11.		412	9⅝	9½	9⅝	-⅛
11⅝	10¼	ACMIn	1.26	12.		844	11⅛	10⅞	10⅞	-¼
10	8	ACM M	n1.01	11.		866	9	8⅞	8⅞	-⅛
11½	10	ACM Sc	1.26	11.		1665	11¼	11	11¼	+⅛
9⅝	8⅞	ACMSp	1.01	11.		1130	9¼	9⅛	9⅛	
18	11½	AL Lab	.16	.9	18	105	18	17½	17½	+⅛
4⅛	3⅛	AMCA	.12e	3.6	8	5	3½	3⅜	3⅜	
6⅛	4⅛	AM Intl			9	1456	4½	4¼	4¼	-⅛
23½	18½	AM In pf	2	11.		65	18⅞	18½	18½	-⅜
107¼	51½	AMR			7	9987	61¼	56⅝	57¼	-3½
6½	3⅝	ARX				163	3½	3⅜	3⅜	
59¼	37⅞	ASA	3a	5.3		1478	57¼	56¼	56⅞	-⅜
30½	16¼	AVX	.24	.8	29	1391	30⅜	30	30	-⅜
70⅜	46¼	AbtLab	1.40	2.1	18	7072	66¼	65	65½	-⅛
16¼	12¼	AbitiBl g	1			153	12¼	d12	12⅛	-⅜
13	8½	AcmeC	.40	3.6	14	254	11¼	11	11¼	+⅜
9¼	6	AcmeE	.32	3.7	12	7	8¾	8⅝	8¾	+¼
38½	22	Acuson			20	1002	30	29¼	29¾	
15¾	12⅞	AdaEx	2.06e	13.		254	15½	15⅜	15½	+⅛
13⅞	8½	Adobe				483	13⅞	13⅛	13⅛	-⅛
19½	16½	Adob pf	1.84	9.4		16	u19⅝	19½	19⅝	+¼
21⅞	19⅞	Adob pf	2.40	11.		15	21	21	21	-⅛
10½	7⅛	AMD				3675	8⅛	7⅞	7⅞	-¼
35	28½	AMD pf	3	10.		4	29⅞	29¼	29⅞	
10⅛	6⅝	Advest	.16	1.9	12	528	8¾	8⅛	8¼	-⅜
62½	46¼	AetnLf	2.76	5.0	9	6365	56⅜	55⅜	55⅜	-2⅜

Continued on Page 39

NYSE COMPOSITE PRICES

Continued from previous Page

[illegible]

– X – Y – Z –

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
69	56	Xerox	3	5.3	15	3512	57¼	56	56⅜	– ⅜
49	44½	Xerox pf4.13		8.7		1	47¼	47¼	47¼	– ½
44⅞	23¾	XTRA	.72	2.8	21	132	26	25⅝	26	+ ½
33	21¾	XTRA pf1.94		8.5		10	22¾	22⅞	22¾	
4⅞	2	Zapata				711	3½	3⅜	3½	+ ⅛
13¾	7⅞	Zemex	.20	2.4		4	8⅝	8¼	8⅛	– ⅛
21½	11½	ZenithE				1709	12⅜	12	12	– ⅜
2½	3-16	vjZenLb				453	⅜	¼	¼	– 3-32
21½	15⅞	ZenNtl	.84	4.6	9	61	18⅝	18⅜	18¼	– ⅝
10	6⅞	Zenix	1.20	17.		171	7½	7¼	7¼	– ⅛
18½	12¾	Zero s	.40	2.8	18	480	14⅝	14¼	14⅜	+ ⅛
44⅞	25¾	Zurnin	.76	2.0	17	311	38⅜	36⅝	37⅛	– 1⅛
12⅞	10	Zweig	1.12e	9.1		705	12⅛	12⅛	12⅛	+ ⅛
9⅞	8¾	ZweigTl	.96	9.8		1941	9⅞	9⅞	9¾	– ⅛

Sales figures are unofficial.Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months.g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months,plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales infull. yld-yield. z-sales in full.

NASDAQ NATIONAL MARKET

3pm prices December 18

[illegible]

– X – Y – Z –

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
Worthg	.56	17	103	24	23⅞	23⅞	– ⅛
Wyman	.20		284	14⅞	14⅛	14½	– ⅛
XL Dta s		6	334	6⅞	6	6	– ⅛
XOMA			2211	23	21⅞	21⅞	– 1⅛
Xicor		7	987	3⅞	3½	3½	– ⅛
YorEnG	.76e		292	21½	21	21¼	– ¼
YellowF	.76	12	111	27⅝	27⅛	27⅛	– ⅛
YorkRs			216	8	7½	7⅞	+ ⅛
ZionUt	1.44		11	28½	28	28	– ½

AMERICA

Dow declines sharply as nervous trading continues

Wall Street

HEAVY selling of financial issues because of concern about real estate loans, coupled with profit-taking after last week's peaks which were the highest levels seen since the October 13 mini-crash, sent the equity market sharply lower yesterday, *writes Janet Bush in New York.*

The Dow Jones Industrial Average closed 42.02 points lower at 2,697.53 on moderately active volume of 187m shares.

Other indices, including the Standard & Poor's 500, the American Stock Exchange index and the Nasdaq Composite index, were all sharply lower. The Dow Jones Transportation Index, which includes airline issues, was 29.88 points lower at 1,140.82 at the close.

The market had only been quoted modestly lower during the morning session but selling then accelerated and was exacerbated by programme stock index arbitrage which helped depress the Dow by 52 points at one stage.

The major reason cited for the sharp sell-off was concern about bank exposure to problem real estate loans after Friday's announcement by the Bank of New England that it had seen a sharp rise in non-performing real estate loans.

However, the market had looked increasingly vulnerable at the latter end of last week, having climbed above the key technical resistance level of 2,760 on the Dow Jones Industrial Average.

That rally came amid a dearth of any clearly positive news and there has been increasing nervousness about the progress of monetary policy. The Federal Open Market Committee meets today and tomorrow but hopes are not particularly high that the committee will decide to ease monetary policy further.Among financial issues, Bank of New England extended Friday's losses, falling $1¼ to $7⅝, Bank of Boston lost $⅝ to $16⅛, Federal National Mortgage dropped $2⅛ to $30⅞ and and Citicorp fell $1½ to $26⅝.

Technology issues were mostly weaker although Apple Computer and Compaq Computer were higher after the beating they took last week on disappointing earnings forecasts. Apple was quoted $1 higher in over-the-counter trading at $34⅞ and Compaq stood $⅝ higher at $77⅞ on the New York Stock Exchange. In contrast, IBM slumped $1¼ to $93⅝, National Semiconductor was down $⅜ at $6⅝ and Motorola dropped $1¼ to $56.

Among featured individual stocks, Marriott jumped $1⅛ on news of a major restructuring but then slipped back in line with the broad market to close $1 lower at $33⅝. The company's plans include getting out of the fast food and family restaurant business and buying back 10m common shares.

CML Group jumped $⅞ to $20⅛ after Mr Irwin Jacobs, the investor, raised his takeover offer for the company by $2 a share to $25 a share.

Brazil Fund, a closed end investment fund, jumped $1⅛ to $12⅞ in response to the apparent victory of Mr Fernando Collor De Mello in Brazil's presidential election. He is widely regarded as a free marketeer.

In over-the-counter trading, Amgen slumped $4⅝ to $51⅞ on a negative interpretation by analysts and lawyers of last week's court ruling on patent rights to Erythropoetin.

Canada

STOCKS declined across the board in moderate Toronto trading. The composite index fell 27.66 to 3,958.54, the low for the day. Declines outnumbered advances 475 to 251 and volume fell to 25m shares compared with Friday's 33m.

Campeau Corp lost 30 cents and slipped to its lowest level this year at C$3.60 after CIT Group-Factoring, the largest US factoring company, said it would not accept shipments to Campeau's two retail units for goods payable after January 10.

Chile greets election results

CHILE'S small and sensitive stock market has given a euphoric reception to last Thursday's election results. Its selective index rose another 4.85 per cent yesterday, following a 6.3 per cent gain on Friday, writes Barbara Durr in Santiago.

While the market had already taken into account the widely expected victory of Mr Patricio Aylwin, the opposition's presidential candidate, the election of a politically moderate Congress assured the business community that the future "would not be as bad as they thought," said Mr Jose Antonio Labbe of B & C, one of Santiago's biggest stock brokerages.

Last Thursday's general elections were the first after more than 16 years of military dictatorship and brought the country back into the democratic fold. Boosting confidence, too, were calming statements about the future handling of the economy from Mr Aylwin's probable finance minister, Mr Alejandro Foxley.

Not least among the factors reassuring business were statements from Gen Augusto Pinochet, indicating that he intended to return to the barracks after the inauguration of Mr Aylwin in March. While the general can remain in his powerful post of army commander in chief until 1997, he clearly acknowledged that he would be subordinate to Mr Aylwin's authority.

Investors find their fun outside big markets

MARKETS IN PERSPECTIVE

	% change in local currency †				% change in sterling †
	1 Week	4 Weeks	1 Year	Start of 1989	Start of 1989
Austria	+2.38	+6.13	+70.14	+69.41	+97.04
Belgium	−1.96	−1.22	+10.52	+7.75	+25.01
Denmark	−1.14	−1.30	+46.77	+35.73	+56.82
Finland	−0.97	+4.58	−1.40	−1.73	+12.76
France	−1.21	+6.13	+34.69	+26.80	+47.09
West Germany	−1.03	+5.94	+26.72	+23.84	+43.81
Ireland	+2.16	+5.60	+33.86	+33.08	+52.39
Italy	+1.99	+2.50	+14.27	+11.27	+27.33
Netherlands	+1.58	+3.42	+22.95	+11.93	+39.31
Norway	+1.37	+8.89	+49.27	+56.86	+8.89
Spain	−0.64	+1.07	+7.26	+7.84	+23.34
Sweden	+4.16	+8.11	+31.39	+30.57	+44.4
Switzerland	−2.35	+1.31	+25.54	+21.57	+32.96
UK	−0.74	+6.84	+29.32	+27.55	+27.55
EUROPE	−0.73	+5.15	+26.59	+23.70	+34.03
Australia	−0.24	−0.30	+13.82	+10.75	+14.54
Hong Kong	+4.04	+0.99	+10.67	+7.83	+21.57
Japan	−0.07	+5.68	+23.05	+18.63	+16.02
Malaysia	+2.90	+11.42	+56.30	+52.43	+72.51
New Zealand	−3.24	−6.22	+15.70	+11.64	+18.57
Singapore	+1.14	+7.82	+43.91	+37.40	+57.01
Canada	+0.59	+1.24	+21.44	+17.88	+36.69
USA	+0.30	+2.81	+26.07	+25.24	+41.20
Mexico	+2.20	+6.32	+112.43	+118.27	+110.85
South Africa	+2.28	+11.33	+62.90	+63.15	+80.08
WORLD INDEX	−0.04	+4.46	+24.62	+21.62	+28.02

† Based on December 15 1989. Copyright, The Financial Times Limited, Goldman, Sachs & Co. and County NatWest Securities Limited.

By William Cochrane

BY AND LARGE, the big markets let the side down last week as declines in France, West Germany and the UK left Europe recording a decline of 0.7 per cent over one week against a rise of 5.1 per cent over four.

Japan fell by a tiny fraction, measured by the broad sample of stocks in the FT-Actuaries indices, and the US rose by something similar. So the World Index did well to come out of the week virtually at level pegging, with a four-week rise of 4.5 per cent.

Investors were having their fun elsewhere, particularly in Sweden, which had a rush of corporate finance activity involving big names such as Volvo and Saab, the flotation of the country's second-biggest insurance company, Trygg-Hansa, and the promise of a further wave of company mergers and acquisitions early next year.

The Stockholm bourse scored a 4.2 per cent rise on the week, just as some observers were saying that its really good times were over.

On the other side of the world, Hong Kong came out on top with a rise of 4 per cent, retrieving its position over the four-week run. The market sailed out of the doldrums on Tuesday and, by Wednesday, dealers had worked out a number of reasons for the upsurge.

One was the prospect of fund managers rejigging their portfolios to reduce exposure to the turbulent Philippines, after a fall of nearly 34 per cent last week when the twin exchanges of Manila and Makati reopened following the attempted military coup.

Mulling it over, brokers James Capel rejected the initial explanations and came up with three of its own:

● that, on a valuation basis, the market is cheaper now, against the world, than it ever has been;

● that corporate earnings growth in the colony is intact;

● and that many funds remain significantly underweight in Hong Kong, but have been observing it with interest from the sidelines.

Elsewhere, a number of markets that were high on the list a week ago performed well again: Austria's 3.4 per cent increase on foreign buying puts it more than 70 per cent ahead this year in local currency terms.

Malaysia is leaving Singapore behind. A 2.9 per cent rise over one week made it the best performer in the list over four weeks, with a gain of 11.4 per cent; South Africa, with interest in both golds and industrials, came close behind with 2.3 and 11.3 per cent respectively.

Among the big battalions, Wall Street had a bizarre Friday on rumours that Panama had declared war on the US. Hoare Govett, the brokers, was saying in London that Tokyo was displaying signs of fatigue, manifested in shrinkage of turnover and the narrow range of fluctuations in its key stock market indices.

In Europe, finally, Salomon Brothers was bringing out a think piece saying that international investors should switch out of the dull French market into the similarly dull West German one. However, it is true that both of them were looking good at anything more than a five-day period.

ASIA PACIFIC

Currency prospects produce a fourth record

Tokyo

SIGNS of a slowdown in the US economy promised more stability on the yen/dollar front yesterday, auguring well for interest rates, and further waves of index buying took the Nikkei to a fourth record high, *writes Michiyo Nakamoto in Tokyo.*

Share prices rose steadily throughout the day, supported by active index-linked buying by investment trusts and arbitrage buying by foreign firms. The Nikkei index closed 315.14 up at its day's high of 38,558.18. The low was at 38,304.46. Advances outnumbered declines by 536 to 378 while 221 issues were unchanged.

Turnover remained moderate at 880m shares, up from 844m traded on Friday. The Topix index of all listed shares also posted a record, adding 10.24 to 2,884.80, while, in London, the ISE/Nikkei 50 index eased 0.73 to 2,172.70.

A huge flow of investment trusts was expected to come to the market at the end of this week, feeding on, and supporting, its buoyancy. According to Daiwa Securities, the estimated value of investment funds coming into the equity market is Y760bn.

There is a leavening of caution in the market. While the bulls see the lack of activity on the yen/dollar front as a sign of stability, others feel that there should be more direction from the currency market, rather than the lack of it.

However, the accent was on optimism. For example, news at the weekend that Saudi Arabia has expressed interest in entering the oil production business in Japan boosted demand in the oil sector. Mitsubishi Oil was actively traded and gained Y110 to Y1,830.

Other resources were mixed. Dowa Mining, which saw a surge of buying last week on news that a rich vein of gold has been found near one of its mines, lost Y90 to Y1,340 on profit-taking.

Trading houses once again stole the limelight. The historic events in Eastern Europe, combined with increasing signs that the US and the Soviet Union will move further to reduce defence spending, have raised hopes of a worldwide trade bonanza in which Japanese trading houses will have a significant part to play.

C Itoh, a leading trading company that has not been prominent recently, topped the actives list with 38.9m shares. It rose Y40 to Y1,190.

Sumitomo Metal Industries, another choice on the Soviet theme for its potential involvement in the planned Soviet gas pipeline, which is to be extended from Siberia, lost on profit-taking. It was second in volume with 27.9m shares and fell Y4 to Y905.

Tokyo Corp, the railway company seen as a strong prospect for 1990, also succumbed to the profit-takers, and dropped Y30 to Y2,970.

Special situations kept activity lively in Osaka, where the OSE average moved up 118.28 to breach the 39,000 level and close at a record 39,065.07. Volume improved to 102m shares from the 88m traded on Friday.

Roundup

MOST MARKETS in the region bounced back to close higher after dipping at the outset. Singapore, however, remained weak throughout the day.

AUSTRALIA recovered from an early slip, closing higher amid hopes of lower interest rates and a fall in the local dollar. The All Ordinaries index gained 10.1 to 1,629.2, after falling to 1,617.1 earlier, on thin turnover of 79m shares worth A$150m, compared with Friday's 84m and A$158m.

A rise in the bullion price at the weekend encouraged buying of gold and resources stocks. Australian Development added 8 cents to A$1.98, Dominion Mining 6 cents to A$2.06, and Niugini Mining 10 cents to A$2.55.

SINGAPORE edged lower in moderate trading after reaching a post-crash peak on Friday. The Straits Times Industrial index fell 8.54 to 1,489.62 as turnover picked up slightly to 73m shares from 71m.

Some big property stocks declined after DBS Land bought the Standard Chartered Building for the lower-than-expected price of S$1,639 a square foot, compared with expectations of S$2,200.

Singapore Land lost 60 cents to S$13.70 and City Developments retreated by 12 cents to S$8.54.

KUALA LUMPUR attracted the attention of institutional and individual buyers, who helped the composite index rise 1.15 to a record 539.94, after it had eased earlier.

HONG KONG overcame light profit-taking to end higher, although turnover declined. The Hang Seng index rose 3.84 to 2,900.31 on turnover of HK$705m, down from Friday's HK$1.2bn.

TAIWAN rebounded after early selling and a small fall on Saturday. The weighted index gained 125.93, or 1.5 per cent, to 8,674.88.

Bourses engrossed in interest rates

INTEREST rates, or the anticipation of their movement, had a lot to do with the way senior bourses moved on the Continent yesterday, *writes Our Markets Staff.*

PARIS was dealt an early blow by a rise in domestic interest rates, but closed above its day's lows. The Bank of France announced a ½ point rise in the intervention and emergency funding rates, and the OMF 50 index ended 0.38 lower at 531.30, after falling to 528.14.

Paribas, the bank, which had lost FFr8 on news of the rates rise, closed FFr7 up at FFr706 on speculative interest in busy trading.

The day's other most active stocks included Suez, off FFr1 at FFr435, and its insurance arm Groupe Victoire, unchanged at FFr2,276. Suez said that state insurer UAP now owned 34 per cent of Victoire following a capital restructuring, while Dai-Ichi of Japan and Baltica of Denmark each held 5 per cent.

Eurotunnel recovered from last week's losses, adding FFr3.70, or 7.7 per cent, to FFr51.70. It said that an independent engineering consultant had supported its cost estimates for completion of the Channel tunnel.

Lyonnaise des Eaux gained FFr22 to FFr545. It said it had acquired a 9 per cent stake in Anglian Water of the UK.

FRANKFURT had a sluggish start, reflected in the 4.13 fall to 630.12 in the FAZ index at midsession, but it picked up late on a strong banking sector and the DAX closed 7.14 higher at 1,634.57.

Banks rose on expectations of strong 1989 earnings and of stabilisation in interest rates. Majors such as Deutsche and Dresdner, up DM6.50 at DM770.50, and DM15 at DM404.50 respectively, have already reported good 10-month earnings; and the sector is benefiting from the growing belief that interest rates have reached a peak.

However, there are some conditions at the political level. Earlier in the day, Finance Minister Theo Waigel said that he did not see the need for another boost in German rates – provided wages went up only moderately in 1990. That is when the powerful metal-workers union will be pressing its claim for better pay and shorter hours.

Other winners included the electricals group, AEG, which jumped DM8.00 to DM294.50 on speculative interest. After market hours, it announced a trains systems joint venture with LEW, an East German engineering company. Meanwhile, Preussag rose DM7.50 to DM392 after promising a significantly higher dividend for 1989.

ZURICH tumbled in moderate trading as firm domestic interest rates and year-end profit-taking pressured the market. The Swiss National Bank's Lombard rate, tied to the call money rate, rose from 10.5 to 10.625 per cent and the Crédit Suisse index dropped 9.6 to 605.3.

AMSTERDAM stayed cautious due to the continued weakness of the dollar, and the CBS tendency index edged up 0.3 to 182.8 in quiet trading, with both buyers and sellers keeping a low profile.

Globally-traded multinationals closed flat to lower with the exception of the food and consumer products group, Unilever, which rose 60 cents to Fl 157.90, helped by institutional buying.

However, the trading company, Borsumij-Wehry, rose Fl 4 to Fl 114 before closing at Fl 112.50. It purchases goods in dollars and sells them in European hard currencies, so a weak dollar should improve its profit margins.

STOCKHOLM declined on profit-taking in active trading, following last week's excitement. One exception was Saab, which saw its free B shares gain SKr17, or 6.5 per cent, to SKr273, after their suspension on Friday before the announcement that General Motors of the US would take a 50 per cent stake in its loss-making car division.

Volvo free B shares eased SKr3 to SKr449 after rises last week. The Affärsvärlden General index lost 13.2 to 1,214.7.

COPENHAGEN saw interest in the insurance sector, as Baltica Holding announced that it had spent about FFr600m on a reciprocal 5 per cent stake in Victoire, a subsidiary of Suez, the French financial group which recently took a 23 per cent stake in Baltica.

Baltica Holding gained DKr7 to DKr810 and Baltica Insurance DKr30 to DKr2,600. Elsewhere in the sector, Topdanmark gained DKr70 to DKr1,480 and Hafnia Holding rose DKr6 to DKr592.

BRUSSELS had a mixed session, with the cash market index almost unchanged at 6,299.29, up 0.41. Wagons-Lits, the travel group, fell BFr130 to BFr8,620 after announcing a rise in turnover for the first nine months and saying that profits would not rise next year.

MADRID eased in a quiet session, with the general index off 0.7 at 302.48, as investors concentrated on Christmas rather than on equities.

SOUTH AFRICA

GOLD stocks closed marginally lower in Johannesburg, as the whole market drifted lower under the combined influence of a weaker gold price and a firmer financial rand. The gold index was down 7 points at 2,213 and the industrial ended 2 points lower at 2,807.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY DECEMBER 18 1989						FRIDAY DECEMBER 15 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (85)	147.88	+0.7	136.77	125.60	+0.7	5.42	146.79	135.64	124.68	160.41	128.28	141.15
Austria (19)	167.28	−0.2	154.72	149.90	−0.2	1.82	167.67	154.93	150.15	172.22	92.84	96.41
Belgium (63)	150.06	+0.2	138.79	134.33	+0.2	4.14	149.79	138.41	134.09	150.39	125.58	132.54
Canada (122)	151.14	−0.7	139.79	127.01	−0.7	3.18	152.20	140.64	127.90	154.17	124.67	122.16
Denmark (36)	236.44	−0.2	218.68	215.68	−0.1	1.47	236.99	218.98	215.79	237.06	165.35	153.51
Finland (26)	130.64	−0.2	120.82	112.05	−0.3	2.52	130.89	120.95	112.35	159.16	118.63	130.94
France (126)	149.32	−0.5	138.10	138.13	−0.3	2.70	150.09	138.68	138.61	150.60	112.57	109.13
West Germany (96)	112.20	+0.0	103.77	100.71	+0.2	2.07	112.19	103.66	100.46	112.97	79.56	87.12
Hong Kong (48)	120.74	+0.2	111.67	121.03	+0.1	4.71	120.56	111.40	120.85	140.33	86.41	106.07
Ireland (17)	176.58	−0.9	163.32	162.78	−0.9	2.67	178.12	164.58	164.25	179.42	125.00	131.20
Italy (97)	95.65	−0.5	88.47	92.05	−0.4	2.49	96.14	88.84	92.39	96.73	74.97	83.98
Japan (455)	197.78	+0.4	182.93	180.16	+0.4	0.45	197.07	182.09	179.50	200.11	164.22	185.77
Malaysia (36)	221.07	+0.7	204.46	229.76	+0.7	2.31	219.57	202.89	228.20	221.07	143.35	141.64
Mexico (13)	310.89	+2.7	287.54	906.71	+2.6	0.57	302.64	279.65	883.48	326.61	153.32	161.95
Netherland (43)	138.51	−0.3	128.11	123.18	+0.0	4.32	138.86	128.33	123.22	139.47	110.63	112.36
New Zealand (18)	71.78	+1.0	66.39	64.13	+0.8	5.55	71.09	65.69	63.61	88.18	62.64	65.06
Norway (24)	192.66	−0.3	178.19	174.42	−0.1	1.57	193.29	178.60	174.60	196.39	139.92	133.37
Singapore (26)	174.71	+0.3	161.58	153.61	−0.1	1.95	174.26	161.02	153.98	176.24	124.57	120.18
South Africa (60)	186.44	−0.1	172.44	159.50	−0.5	3.57	186.60	172.43	160.28	188.04	115.35	115.98
Spain (43)	162.94	+0.4	150.70	137.63	+0.2	3.82	162.32	149.99	137.36	169.75	143.14	148.97
Sweden (35)	182.45	−1.5	168.74	169.42	−1.1	2.02	185.20	171.13	171.21	188.94	138.45	143.65
Switzerland (62)	90.89	−1.3	84.06	87.22	−1.4	2.05	92.06	85.06	88.42	94.16	67.81	76.29
United Kingdom (303)	153.75	+0.4	142.20	142.20	+0.5	4.37	153.08	141.45	141.45	158.41	133.28	134.32
USA (544)	139.17	−1.8	128.71	139.17	−1.8	3.36	141.75	130.98	141.75	146.29	112.13	113.42
Europe (990)	136.32	+0.0	126.08	124.48	+0.1	3.38	136.35	125.99	124.36	136.56	112.63	113.04
Nordic (121)	180.50	−0.8	166.94	159.29	−0.5	1.79	181.96	168.13	160.13	181.96	137.95	135.49
Pacific Basin (668)	192.87	+0.4	178.38	175.63	+0.4	0.69	192.15	177.55	174.97	194.72	160.44	180.78
Euro−Pacific (1658)	170.37	+0.2	157.57	155.17	+0.3	1.56	169.95	157.04	154.73	170.37	141.56	153.67
North America (666)	139.78	−1.8	129.28	138.41	−1.8	3.35	142.27	131.46	140.88	146.66	112.79	113.87
Europe Ex. UK (687)	124.52	−0.3	115.17	113.72	−0.2	2.72	124.94	115.44	113.94	124.94	96.30	99.55
Pacific Ex. Japan (213)	134.04	+0.5	123.97	119.73	+0.5	4.82	133.32	123.19	119.14	140.05	111.93	121.13
World Ex. US (1853)	169.94	+0.2	157.18	154.49	+0.2	1.63	169.58	156.69	154.11	169.94	141.49	152.20
World Ex. UK (2094)	158.33	−0.5	146.44	150.03	−0.5	1.95	159.13	147.04	150.76	159.46	136.98	137.57
World Ex. So. Af. (2337)	157.73	−0.4	145.88	149.20	−0.4	2.15	158.40	146.36	149.80	158.84	136.67	137.39
World Ex. Japan (1942)	138.91	−1.0	128.48	133.29	−1.0	3.42	140.30	129.64	134.57	140.89	114.51	113.94
The World Index (2397)	157.90	−0.4	146.04	149.26	−0.4	2.16	158.57	146.52	149.86	159.01	136.68	137.26

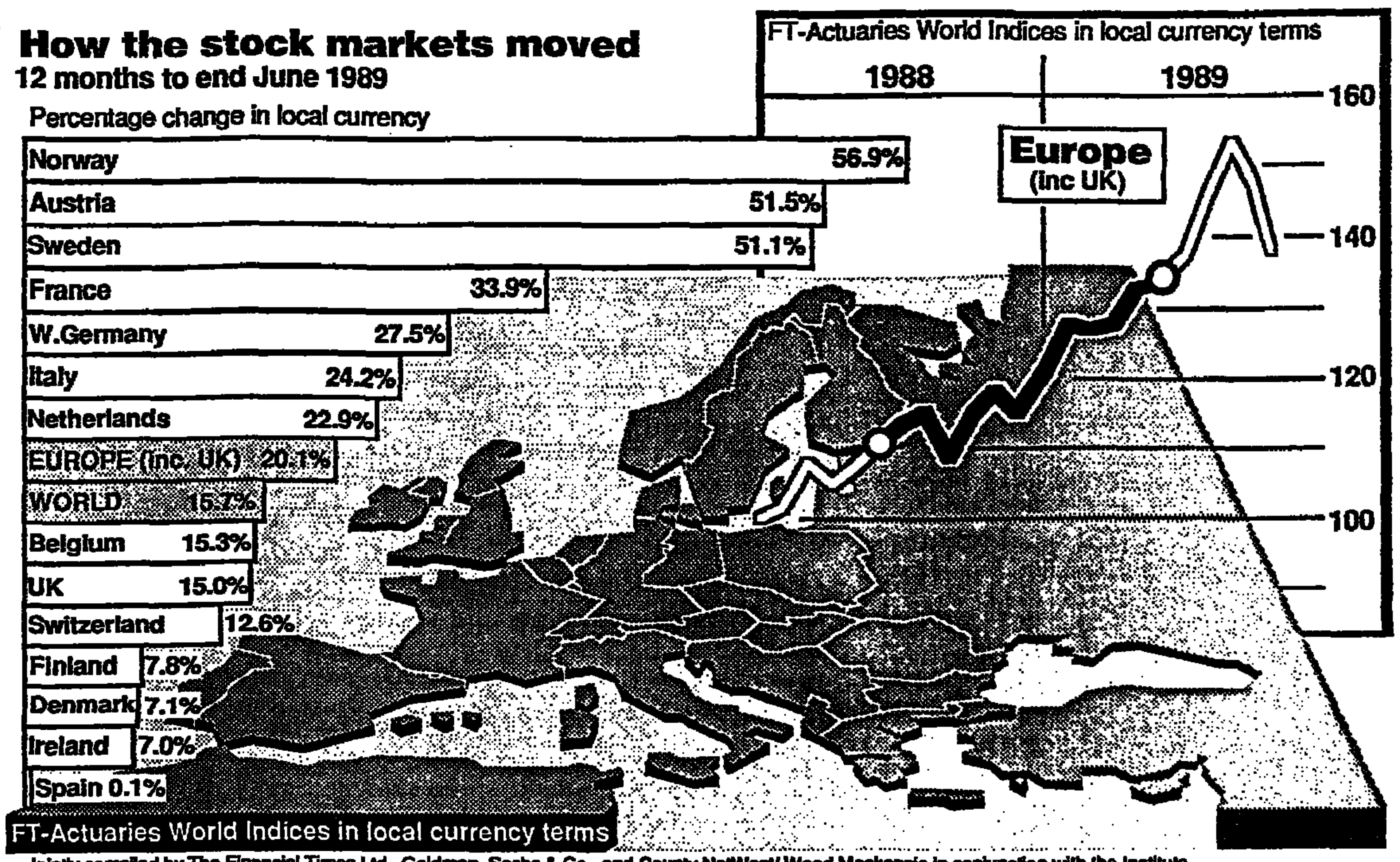
CONSTITUENT CHANGES: At the quarter-end review of the FT-Actuaries World Index, it was decided to make the following constituent changes with effect from January 2 1990: **Additions:** Anglian Water, North West Water, Severn Trent Water and Thames Water (all UK); Oracle Systems, Oryx Energy, and Public Service Enterprise (all US). **Deletions:** Emperor Mines (Australia); Cooper Companies, Hall (FB), and Interco (all US). **Classification changes to existing constituents:** Abbey (Ireland) to Homebuilding and Alco Standard (US) to Paper Products.

FINANCIAL TIMES

TOP 500

1989

■ The FT TOP 500 is a survey of Europe's biggest companies. This is its eighth consecutive year of publication.
The main list looks at publicly-quoted European companies, and ranks the 500 biggest by market capitalisation, taken as an average for the month of June this year and translated into US dollars. A second list ranks the top 500 companies in the UK stock market, the biggest in Europe.
A company's capitalisation is the number of its shares multiplied by the price of its shares, and therefore measures the value of a company in the eyes of investors.
This yardstick has a number of advantages over other methods. It is a good guide to performance over time; gives a proper weighting to banks, whose positions are distorted in lists based on turnover; and takes proper account of loss-making companies that disappear from lists based on profits.
The stock market varies from one country to another. It is particularly important in the UK, whereas in West Germany the banks play a larger role in corporate finance, and in France and Italy many of the biggest groups are state-owned. To take account of these factors, a separate list is included of the top 100 European concerns, whether publicly or privately owned, ranked by turnover.
The Top 500 tables analyse the key figures on each company included – turnover, profits, return on capital employed, and the number of employees.
Other tables list the biggest employers, look at the most profitable stock-market sectors, and list the biggest profit increases and decreases. There is also a separate table, ranking the top 100 UK investment trusts by market capitalisation.



Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co., and County NatWest/ Wood Mackenzie in conjunction with the Institute of Actuaries & the Faculty of Actuaries

Bull markets in command

By JEFFREY BROWN

WITHOUT doubt, the unflinching strength of share prices was the biggest single influence on the latest FT Top 500, this newspaper's annual survey of the leading European companies ranked according to stock-market capitalisation.

Takeovers and mergers again had a notable impact, and this year has seen an unusually large sprinkling of explosive new entrants. But, from the outset, bull markets were the dominant factor, and they stayed firmly in command right to the end, which, for the *FT500 year, was June 1989.*

The stock market indices tell the story in big bold print. With only the occasional waver, the FT-Actuaries European index, calculated in local currencies, travelled steadily upward over the 12 months, to emerge breathless but confident with a gain of 20.1 per cent.

Within this performance, which represented a complete recovery to the levels held just before dramatic collapse of world stock markets in October 1987, half the 14 component countries comfortably outstripped the index, with an average advance adding close on 40 per cent.

500 capitalisation by country ($m)

United Kingdom	531149.0
Germany	178371.6
France	134922.2
Switzerland	102599.1
Netherlands/UK	71872.2
Sweden	70133.4
Italy	64999.9
Spain	47553.2
Netherlands	41883.4
Belgium	41834.1
Finland	*21104.3*
Sweden/Switzerland	9043.9
Norway	8845.6
Denmark	8096.4
Ireland	4431.8
Austria	1975.2

The contrast with the previous year's switchback ride could not have been more marked, and it has allowed the countries with the two biggest investment centres, the UK and West Germany, to consolidate their grip at the head of the table.

Between them, these two nations account for 60 per cent of the leading 50 companies; while, if the UK's contribution to the FT500 is extended to include Shell and Unilever, the two Anglo-Dutch mammoths, the proportion rises to almost two-thirds. Excluding Shell and Unilever, the UK accounts directly for 21 companies in the top 50, and West Germany nine – each one more than in the preceding year.

Stock-market strength was also apparent in the way certain sectors bounced to prominence. The drugs industry, which had a tremendous run over the period, thanks to strong dollar-led earnings, features heavily; and so do financial services and international food and drinks groups, where takeover activity continued to play a compelling role.

Pharmaceuticals represents the heaviest individual sector weighting in the top 50, accounting for no fewer than nine companies, led by Glaxo with a market capitalisation of $15.7bn, or 50 per cent more than its nearest rival Ciba-Geigy, the leading Swiss drugs group.

Banks take up six places in the top 50, and so does the increasingly global food-and-drinks industry. Heavy industry accounts for a tenth of the leading division, and here the Germanic flavour is unmistakable with Daimler-Benz and Siemens both in the top 10.

Despite the smoothness of the stock-market ride, compared with 1987-88, component volatility showed a notable increase. With 45 new entrants, the turnover ratio for the FT500 rose to 9 per cent, up from around 8 per cent last time. But volatility was even more marked at the top of the table. Within the leading 50 companies, the turnover ratio was 14 per cent.

Despite the plethora of newcomers, the leading edge of the FT500 bears a strong resemblance to its predecessors. Once again, Royal Dutch/Shell holds down the top slot, with a market capitalisation of $54.4bn, which is more than the share market value of British Petroleum and British Telecom combined. These two weigh in at number two and number three respectively, to reverse last year's ranking.

The sharpest upward movements within the top 50 centre on Glaxo, up almost 50 per cent in absolute terms; Asea-Brown Boveri, busily reforming after the previous year's landmark merger; BAT Industries; and Eurotunnel, which bounced from 179 to 46 and provides a reminder of just how heady hopes for the Channel tunnel were before reality over construction costs finally caught up with the Anglo-French project.

The most improved company performance overall comes from Pirelli, the Italian tyre group, which positively zoomed ahead, rising by 184 places to 206 following the major capital reorganisation which led recently to the separate flotation of 20 per cent of the group's main tyre business.

But most of the year's faster-rising companies did so on the back of strong profitability. The Swedish internationals feature prominently: LM Ericsson went from 221 to 98; while Euroc, the fast-expanding building materials group, jumped 159 places. Matra, the French electronics and defence group, rose from 468 to 292.

The most notable newcomer to the FT500 was Banco Bilbao Vizcaya, the newly-merged Spanish bank which entered the lists at 31, despite the sluggishness of the Madrid stock market (up just 0.1 per cent over the period).

British Steel, following its return to the private sector, bounded in at 73, and Groupe Victoire at 160. The acquisitive French insurance group makes an all too brief appearance, however, because it has itself been subsequently swallowed up by the Suez Banking Group, of France.

The list of departing companies again reads like a catalogue of past takeover battles. Rowntree, which succumbed to the vast financial resources of Nestlé, the Swiss foods group, is perhaps the best known casualty. It stood at 63 last time – while AEG, now fully absorbed by Daimler-Benz, was last seen at 163. Beset by all sorts of managerial and trading troubles, Waterford Glass goes out, despite the way its trading base was broadened by the acquisition of the Wedgwood ceramics group.

The FT500 year ended with just 30 months to go before January 1992 and the removal of Europe's trading barriers. Thus the takeover scent stayed understandably keen. Research by Goldman Sachs, the US investment house, suggests that mergers and acquisitions activity has been most prevalent in France and Spain. In contrast, it had virtually no impact in Switzerland.

According to Goldman Sachs, M&A accounts for something like a fifth of this year's improvement in the UK and West German stock markets. The trend was most marked in Spain, where the percentage rises to 48 per cent. In France, the ratio was 45 per cent. Between January and June this year – effectively, the second half of the FT500 year – French companies made 157 foreign acquisitions alone, at an estimated cost of some FFr65bn ($10.4bn). This represented an increase of 40 per cent value over the same period of 1988.

Can Europe sustain this sort of takeover pace in the year ahead? Although stock markets world-wide have been badly rattled by the severe shake-out suffered in October, when Wall Street's junk-bond bubble finally burst, the corporate world remains strongly acquisitive. The chances are that, this time next year, the FT Top 500 will again provide instructive reading.

CONTENTS

$ Exchange rates (June averages)

Currency		1989	1988	percent % change	1987
Austrian Schilling	Sch	13.9341	12.3585	12.75	12.7631
Belgian Franc	BFr	41.4020	36.7525	12.65	37.6818
Danish Kroner	DKr	7.6967	6.6821	15.18	6.8457
Finnish Markka	FM	4.4214	4.1628	6.21	4.4187
French Franc	FFr	6.7135	5.9294	13.22	6.0728
German Mark	DM	1.9784	1.75 7	112.59	1.8186
Irish Punt	I£	0.7406	0.6553	13.02	0.6789
Italian Lira	L	1433.9300	1304.6466	9.91	1315.8400
Netherlands Guilder	Fl	2.2282	1.9760	12.76	2.0482
Norwegian Kroner	NKr	7.1815	6.3866	12.45	6.7057
Spanish Peseta	Pta	126.5590	116.2091	8.91	126.2610
Swedish Kronor	SKr	6.6784	6.0967	9.54	6.3393
Swiss Franc	SFr	1.7073	1.4619	16.79	1.5080
UK Sterling	£	0.6440	0.5630	14.38	0.6139

Europe's biggest employers

Rank	Company	Country	Sector	Top 500 Rank	No. of employees
1	Siemens	Ger	641	10	353000
2	Daimler Benz	Ger	401	9	338749
3	BAT Industries	Uk	171	8	310779
4	Philips	Net	541	65	310258
5	Fiat	Ita	401	12	277353
6	Volkswagen	Ger	401	51	252066
7	British Telecom	Uk	223	3	242723
8	CGE	Fra	533	66	204100
9	Nestle	Swi	451	5	197722
10	ABB Asea Brown Boveri	Swe/I	541	23	169459
11	Bayer	Ger	622	20	165700
12	Hoechst	Ger	622	25	164827
13	Peugeot	Fra	401	43	158100
14	Electrolux	Swe	402	95	147192
15	General Electric	Uk	541	17	145029
16	Generale des Eaux	Fra	221	76	138435
17	Suez (Compagnie Financiere de)	Fra	112	53	134530
18	Royal Dutch/Shell	Nuk	212	1	134000
19	British Aerospace	Uk	523	143	133600
20	BASF	Ger	622	26	132306
21	BET	Uk	171	113	132025
22	Imperial Chemical Industries	Uk	622	13	130400
23	Lonrho	Uk	171	161	129908
24	British Petroleum	Uk	212	2	125950
25	Mannesmann	Ger	563	107	121782

The basis for the lists

■ **RANKINGS:** The rankings of the European and UK Top 500 tables are based on market capitalisation at the end of June 1989. Preference capital has been excluded from the calculation.

Companies that have 70 per cent or more of their equity held by one other concern, or that have only a minimal proportion of their capital openly traded on the stock market, have been excluded from the list.

The capitalisation figures have been obtained from a variety of sources, including Datastream International, local stock exchanges and the FT-Actuaries World Indices.

The ranking of companies having the same capitalisation has been determined by reference to their turnover or, where necessary, their profit.

■ **ACCOUNTS:** Consolidated accounts have been used whenever possible. When parent company accounts only have been reported, these figures have been used an annotated.

Turnover is shown net of sales taxes and inter-group sales. A ranking based on the latest year's figure is also given.

Profit is disclosed before tax and minority interest. For the UK companies, it is also before extraordinary items.

Return on capital employed (ROCE) is based on capital employed at the beginning of the financial year, divided by *pre-tax profit plus interest. For banks, capital employed* = shareholders' funds.

■ **UK INVESTMENT TRUSTS:** The rankings in the Investment Trusts table are based on market capitalisation at the end of June 1989. The shareholders' funds figure is based on the number of shares in issue and the stated net asset value. This table has been compiled with the assistance of County NatWest/Wood Mackenzie.

EUROPEAN TOP 500 SECTOR CODES (FT-ACTUARIES WORLD INDICES)

112 Commercial Banks and other Banks
120 Financial Institutions & Services (Composite)
121 Financial Institutions
122 Financial Services
131 Investment Companies
140 Insurance - Life & Agents/Brokers (Composite)
141 Insurance - Life
142 Insurance - Agents & Brokers
150 Insurance - Multiline/Property and Casualty (Comp)
151 Insurance - Multiline
152 Insurance - Property & Casualty
161 Real Estate
171 Diversified Holding Companies
181 Investment Trusts
201 Non Oil Energy Sources
202 Energy Equipment & Services
203 Oil (Composite)
205 Other Energy (Composite)
212 Oil - Internationals
213 Oil - Crude Producers
214 Petroleum Products including Refineries
220 Electric and Gas Utilities (Composite)
221 Electric Utilities, Water Works and Supply
222 Natural Gas Utilities
223 Telephone Companies
301 Air Transport Carriers
302 Freight Forwarders
303 Sea Transport
304 Rail & Road Transport
305 Storage, Warehousing & supporting Transport servs
310 Transport & Storage (Composite)
401 Automobiles
402 Household Durables & Appliances
406 Diversified Consumer Goods/Services
410 Textile and Wearing Apparel (Composite)
411 Apparel
412 Textile Products
413 Footwear
420 Beverage industries/Tobacco manufacturers (Comp)
421 Beverages - Brewers
422 Beverages - Distillers
424 Beverages - Soft drinks
425 Tobacco manufacturers
430 Health & Personal Care (Composite)
431 Health Care
432 Cosmetics
433 Drugs
434 Hospital Supply/Management
440 Agriculture & Fishing
450 Foods & Grocery Products (Composite)
451 Food Processors
452 Food - Sugar/Confectionery
453 Soaps
454 Agriculture & Fishing
460 Entertainment/Leisure/Toys (Composite)
461 Entertainment & Leisure Time
462 Toys
463 Photography
464 Restaurants and Hotels
470 Media (Composite)
471 Printing
472 Publishing
473 Publishing - Newspapers
474 Broadcasting Media
475 Advertising
480 Business Services & Computers Software/Serv (Comp)
481 Business Services
482 Computer Software & Services
490 Retail Trade (Composite)
491 Retail - Department store
492 Retail - General Merchandise
493 Retail - Grocery Chains
494 Retail - Drug Chains
495 Retail - Miscellaneous/Specialty
510 Wholesale Trade (Composite)
511 Wholesale - Durables
512 Wholesale - Nondurables
520 Aerospace/Defence Composite
521 Aerospace/Defence
522 Defence Electronics
523 Aircraft Manufacturers
530 Computers/Communica tions & Office Equipment (Comp)
531 Computers
533 Communications Equipment
534 Office Equipment
541 Electrical Equipment
550 Electronics & Instrumentation (Composite)
551 Electronics
552 Instrumentation/Control Equipment
560 Machinery & Engineering Services (Composite)
561 Engineering Services
562 Machine Tools
563 Machinery
564 Machinery - Construction
565 Machinery - Farm equipment
566 Machinery - Industrial/Speciality
570 Auto Comp onents (Composite)
571 Auto Parts - Original Equipment
572 Auto Parts - After Market
573 Auto Trucks & Parts
574 Tyre and Rubber Goods
591 Diversified Industrial (Manufacturing)
592 Heavy Engineering and Shipbuilding
610 Construction & Building Materials (Composite)
611 Building Materials
612 Ceramics
613 Construction
614 Homebuilding
620 Chemicals (Composite)
621 Chemicals including fibres, paints, industrial gas
622 Chemicals (Diversified)
624 Fertilisers
630 Mining (Composite)
631 Mining & Extractive Industries
632 Metal Ore Mining
633 Iron and Steel
634 Non-ferrous Metals
641 Precious Metals & Minerals
650 Forestry and Paper Products (Composite)
651 Forestry Products
652 Paper and Paper Products
670 Fabricated Metal Products (Composite)
671 Fabricated Metal Products
672 Containers

THE TOP 500 EUROPEAN COMPANIES BY MARKET CAPITALISATION

Ranking 1989	1988	company	country	Market Capital $m	Sector	Rank	Turnover This year $m	Turnover Last year $m	per cent change	Profit this year $m	Profit last year $m	per cent change	ROCE	employees	Year end
1	1	Royal Dutch/Shell	Nuk	54442.3	212	1	66327.6	74191.0	-7.9	8604.0	9310.6	-7.6	16.8	y134000	31.12.88
2	3	British Petroleum	Uk	24451.9	212	2	40251.5	43967.6	-8.5	3225.2	3708.5	-13.0	14.5	125850	31.12.88
3	2	British Telecom	Uk	23478.3	229	20	17191.0	15816.2	8.7	3784.2	3559.0	6.3	24.4	242723	31.03.89
4	5	Unilever plc/NV	Nuk	17429.9	451	7	26577.6	25686.5	3.4	2257.8	2060.6	9.6	26.1	y295	31.12.88
5	8	Nestle	Swi	16131.5	451	9	23630.0	20641.4	15.4	1902.4	1844.4	3.1	18.6	y197722	*31.12.88
6	7	Generali (Assicurazioni)	Ita	15926.6	151	0	0.0	0.0	0.0	359.2	328.8	22.2	0.0	0	*31.12.88
7	11	Glaxo Holdings	Uk	15701.9	433	151	3197.2	2703.4	18.3	1291.9	1158.4	11.5	45.4	26423	30.06.88
8	14	BAT Industries	Uk	15337.5	171	10	22632.0	22886.6	-1.1	2548.1	2164.6	17.7	29.4	310779	31.12.88
9	6	Daimler Benz	Ger	14889.0	401	3	37148.7	34105.8	8.9	2367.1	2485.8	-4.8	19.9	y338749	31.12.88
10	13	Siemens	Ger	14494.5	641	5	30011.3	25896.4	15.4	1251.1	1313.2	-4.7	7.4	y353000	30.09.88
11	12	Allianz Holding	Ger	14382.6	151	0	0.0	0.0	0.0	626.4	391.9	59.8	0.0	y41752	31.12.88
12	4	Fiat	Ita	13479.1	401	4	30589.7	26603.7	15.3	3002.9	2225.1	39.0	23.9	y277353	31.12.88
13	10	Imperial Chemical Industries	Uk	13432.4	622	18	18166.1	17271.7	5.2	2282.6	2037.3	12.0	27.6	130400	31.12.88
14	15	Hanson	Uk	12961.2	171	30	11494.5	10375.8	10.7	1366.5	1150.6	18.8	24.7	105000	30.09.88
15	9	British Gas	Uk	12340.4	222	29	11686.3	11434.8	2.2	2089.9	1946.6	8.2	19.5	81832	31.03.89
16	18	Deutsche Bank	Ger	11655.0	112	0	0.0	0.0	0.0	1618.5	810.1	99.8	@28.5	y54769	31.12.88
17	29	General Electric	Uk	10572.2	541	37	9127.3	8622.7	5.9	1237.1	1099.4	12.5	23.3	145029	31.03.89
18	30	Ciba-Geigy	Swi	10408.1	622	32	10336.2	9233.3	11.9	776.1	644.3	20.5	9.5	y88757	*31.12.88
19	20	BTR	Uk	10374.2	591	41	8496.0	6442.9	31.9	1272.7	916.6	38.8	42.6	98620	31.12.88
20	16	Bayer	Ger	9526.9	622	15	20454.9	18774.5	9.0	1906.6	1549.7	23.2	18.3	y165700	31.12.88
21	31	Roche Group	Swi	9441.0	433	78	5090.1	4512.9	12.8	378.2	283.0	33.0	7.3	y49671	*31.12.88
22	17	Union Bank of Switzerland	Swi	9374.7	112	0	0.0	0.0	0.0	641.6	637.0	0.7	@11.5	y20572	31.12.88
23	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
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31	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
33	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
36	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
37	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
38	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
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41	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
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43	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
46	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
47	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
52	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
53	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
54	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
55	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
56	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
57	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
58	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
60	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
63	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
64	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69	46	Land Securities	Uk	4424.3	161	0	0.0	0.0	0.0	251.7	207.5	11.7	8.5	459	31.03.89
70	88	Societe Generale	Fra	4350.2	112	0	0.0	0.0	0.0	778.6	557.5	39.6	@31.3	y45462	31.12.88
71	64	Tesco Stores (Holdings)	Uk	4345.1	493	49	7325.8	6396.1	14.5	428.6	350.3	22.3	28.0	75658	25.02.89
72	74	Paribas	Fra	4309.1	112	0	0.0	0.0	0.0	684.8	582.9	17.5	@25.3	0	31.12.88
73	0	British Steel	Uk	4277.9	633	50	7176.6	5920.8	21.2	920.8	650.6	41.5	16.0	55200	*01.04.89
74	56	Bayerische Motoren Werke	Ger	4276.2	401	27	12357.2	9636.1	25.7	469.7	436.5	7.2	11.7	y63812	31.12.88
75	73	Racal Electronics	Uk	4270.0	551	167	2466.0	2122.3	16.3	276.3	214.3	28.9	23.9	33702	31.03.89
76	103	Generale des Eaux	Fra	4259.8	221	25	12692.0	789.0	0.0	360.2	386.6	0.0	16.7	y138435	31.12.88
77	55	Lloyds Bank	Uk	4257.4	112	0	0.0	0.0	0.0	1478.3	-385.1	483.9	<39.8	83932	31.12.88
78	62	Banco Espanol de Credito	Spa	4251.9	112	0	0.0	0.0	0.0	316.3	236.5	0.0	@21.6	0	*31.12.88
79	143	Whitbread	Uk	4238.0	421	146	2805.4	2622.2	9.3	346.7	290.7	19.3	16.3	54192	25.02.89
80	75	Boots	Uk	4174.4	492	98	4199.4	4021.4	4.4	476.2	400.0	19.1	29.2	69967	31.03.89
81	139	Enterprise Oil	Uk	4097.8	213	359	296.3	363.9	-15.7	104.6	112.6	-6.9	12.4	224	31.12.87
82	65	L'Air Liquide	Fra	4078.4	621	109	3817.3	3494.5	9.2	515.8	451.6	14.2	17.9	y27000	31.12.88
83	52	Great Universal Stores	Uk	4055.2	495	106	3900.3	3674.1	6.2	595.3	535.7	11.3	16.2	33834	31.03.88
84	72	Nationale Nederlanden	Net	4042.3	151	0	0.0	0.0	0.0	503.2	414.4	0.0	0.0	28100	31.12.88
85	133	Rodamco	Net	4034.6	161	0	0.0	0.0	0.0	175.0	92.9	88.4	8.3	0	28.02.89
86	61	Midland Bank	Uk	4010.6	112	0	0.0	0.0	0.0	1076.1	-784.2	237.2	<34.3	58093	31.12.88
87	66	P & O Steam Navigation	Uk	3965.4	303	74	5342.9	4634.5	15.6	491.6	426.6	15.3	16.9	55662	31.12.88
88	50	Banco Central	Spa	3900.8	112	0	0.0	0.0	0.0	360.3	287.8	25.2	@25.4	y17867	31.12.88
89	105	Skandinaviska Enskilda Banken	Swe	3836.7	112	0	0.0	0.0	0.0	708.0	622.5	13.4	@28.1	y10500	31.12.88
90	82	Trusthouse Forte	Uk	3619.1	464	136	3173.9	2760.9	15.0	360.2	279.5	28.9	11.2	79800	31.10.88
91	132	Thyssen	Ger	3612.8	633	22	14769.4	14219.4	3.9	614.6	357.6	71.9	11.9	y12461	30.09.88
92	98	Stora	Swe	3799.9	651	76	5129.4	3086.6	0.0	547.1	365.4	0.0	+17.6	y32769	*31.12.88
93	93	Ladbroke Group	Uk	3744.3	461	90	4422.4	3315.8	33.4	391.6	248.8	57.5	16.4	46070	31.12.88
94	60	Cadbury Schweppes	Uk	3667.1	451	113	3698.1	3153.7	17.3	334.9	273.4	22.5	38.8	12126	31.12.88
95	117	Electrolux	Swe	3657.8	402	31	11074.5	10096.7	9.7	556.1	458.2	21.8	17.8	147192	31.12.88
96	69	Reed International	Uk	3585.7	652	171	2413.6	3121.9	-22.7	421.1	377.0	11.7	38.5	22100	31.03.89
97	85	BOC Group	Uk	3555.9	622	126	3291.1	3042.1	8.2	466.2	406.7	14.6	22.2	y36813	30.09.88
98	221	Ericsson LM	Swe	3536.1	533	86	4686.3	4851.5	-3.4	316.2	193.2	64.7	14.8	y65138	31.12.88
99	67	Thomson-CSF	Fra	3527.5	551	82	4992.0	5344.0	-6.6	632.6	524.3	20.7	19.7	y25130	31.12.88
100	108	Tarmac	Uk	3489.7	613	92	4276.8	3359.9	27.3	610.4	412.1	48.1	57.1	26928	31.12.88
101	94	Svenska Cellulosa	Swe	3426.0	651	137	3122.0	2347.7	33.0	391.7	343.6	14.0	19.9	21315	31.12.88
102	101	L'Oreal	Fra	3418.3	432	118	3641.1	2993.2	21.6	332.7	262.6	26.7	27.0	y27570	31.12.88
103	87	Sun Alliance & London Insur.	Uk	3364.3	151	0	0.0	0.0	0.0	576.3	265.5	117.1	0.0	18835	31.12.88
104	110	Mediobanca	Ita	3359.1	121	0	0.0	0.0	0.0	150.4	148.1	1.5	@21.2y	284	#30.06.88
105	96	Thorn Emi	Uk	3349.9	461	76	6109.6	4742.2	7.7	446.9	349.6	28.3	23.5	65444	31.03.89
106	127	Rank Organisation	Uk	3322.9	461	272	1278.7	1037.9	23.3	398.1	329.4	22.5	30.9	21385	31.10.88
107	180	Mannesmann	Ger	3303.7	563	33	10322.5	8418.6	22.6	377.6	205.6	83.6	12.8	121782	31.12.88
108	158	Astra	Swe	3302.0	433	298	993.1	868.9	14.3	225.0	194.0	16.0	28.2	y6977	31.12.88
109	115	Montedison	Ita	3280.1	622	34	9848.5	9617.6	2.4	790.6	540.5	46.3	19.8	y47115	31.12.88
110	104	Gateway Corporation	Uk	3273.1	493	62	7013.8	7987.7	-12.2	333.4	288.5	15.6	29.8	85328	*29.04.89
111	81	Fondiaria La	Ita	3210.6	151	0	0.0	0.0	0.0	116.3	101.5	14.5	0.0	y4666	31.12.88
112	99	Asda Group	Uk	3193.7	493	94	4206.9	3823.6	10.0	382.9	334.3	14.5	22.1	50465	29.04.89
113	111	BET	Uk	3187.8	177	127	3270.5	3129.0	4.5	420.2	336.0	25.0	36.5	132025	31.03.89
114	116	Lafarge Coppee	Fra	3143.9	611	128	3376.9	2842.0	18.9	509.7	398.4	28.8	25.5	y22491	31.12.88
115	129	STC	Uk	3142.5	551	118	3659.6	3209.0	14.0	357.1	291.9	22.3	31.2	33646	31.12.88
116	114	Commerzbank	Ger	3140.7	112	0	0.0	0.0	0.0	437.8	378.4	15.6	@17.7y	27320	31.12.88
117	141	Tractebel	Bel	3107.0	221	313	901.0	691.8	30.2	265.8	200.3	42.5	16.5	y1546	31.12.88
118	102	Winterthur Versicherung	Swi	3085.5	151	0	0.0	0.0	0.0	212.1	188.0	12.9	0.0	y16300	31.12.88
119	118	Bayerische Hypo. & Wechsel Bk	Ger	3077.1	112	0	0.0	0.0	0.0	343.1	322.5	6.4	@17.6	y13549	31.12.88
120	106	General Accident	Uk	3020.5	151	0	0.0	0.0	0.0	450.6	317.4	42.0	0.0	14757	31.12.88
121	81	Olivetti	Ita	2999.0	534	69	5583.2	5143.6	14.0	301.7	374.9	-19.5	11.4	y57560	31.12.88
122	172	Carrefour	Fra	2989.8	493	35	9858.8	8416.3	14.7	232.4	202.5	14.7	30.9	42900	31.12.88
123	126	Solvay et Cie	Bel	2942.1	622	62	6122.1	5400.8	13.4	689.9	529.0	30.2	22.8	y44301	31.12.88
124	165	Plessey	Uk	2926.8	551	164	2569.7	2020.0	27.2	303.6	267.2	13.6	30.0	26216	31.03.89
125	109	Argyll Group	Uk	2919.8	493	72	5436.1	5009.7	8.5	277.8	208.2	33.3	34.3	63660	*01.04.89
126	137	Union Bank of Finland	Fin	2914.9	112	0	0.0	0.0	0.0	271.9	271.4	0.2	@24.5	10225	31.12.88
127	95	Swiss Reinsurance Group	Swi	2913.3	151	0	0.0	0.0	0.0	214.4	196.9	8.9	0.0	y18985	31.12.87
128	89	RAS	Ita	2906.3	151	0	0.0	0.0	0.0	43.2	41.3	4.5	0.0	y3632	#31.12.88
129	125	Pearson	Uk	2880.5	472	211	1855.0	1478.6	25.5	309.7	236.7	31.0	27.9	26017	31.12.88
130	86	Royal Insurance	Uk	2876.5	151	0	0.0	0.0	0.0	348.9	425.5	-18.5	0.0	15836	31.12.88
131	107	MEPC	Uk	2821.2	161	0	0.0	0.0	0.0	162.7	124.5	30.7	6.7	0	30.09.88
132	134	Akzo	Net	2786.1	622	46	7441.2	6970.2	6.8	580.2	487.7	19.0	51.5	y70000	31.12.88
133	147	Fisons	Uk	2762.3	433	279	1214.6	1118.2	8.6	205.1	169.4	21.1	37.3	10867	31.12.88
134	231	Skandia Forsakring	Swe	2724.2	152	0	0.0	0.0	0.0	151.7	203.9	-25.6	0.0	5572	#31.12.88
135	197	Sandvik	Swe	2717.0	562	168	2457.6	1982.7	24.0	415.6	285.5	46.6	24.7	y25601	31.12.88
136	207	Lloyds Abbey Life	Uk	2716.7	151	0	0.0	0.0	0.0	479.3	363.4	28.6	0.0	9026	*31.12.88
137	124	Trafalgar House	Uk	2704.2	171	96	4155.7	3677.8	13.0	353.7	259.4	40.4	18.6	27614	30.09.88
138	80	Jacobs Suchard	Swi	2703.8	451	112	3739.3	3576.1	4.6	297.4	262.2	13.9	+19.1	y16799	31.12.88
139	113	Banco Hispano Americano	Spa	2687.6	112	0	0.0	0.0	0.0	406.6	63.0	0.0	@34.4	y15015	31.12.88
140	244	SKF	Swe	2667.7	566	134	3161.8	2935.4	8.4	233.0	179.1	30.1	11.9	49331	31.12.88
141	92	Sears	Uk	2653.9	492	95	4201.7	3664.1	14.7	493.5	381.6	11.0	25.9	69519	31.01.89
142	151	Rothmans International	Uk	2648.4	425	200	2024.2	2015.2	0.4	507.3	448.4	13.1	30.7	29700	31.03.89
143	188	British Aerospace	Uk	2647.5	523	40	8756.2	6327.6	38.4	355.5	-246.9	248.4	18.3	133600	31.12.88
144	140	BAA	Uk	2632.0	306	297	995.3	812.1	22.6	307.5	257.8	19.3	19.1	7936	31.03.89
145	123	Pilkington Brothers	Uk	2601.3	611	104	3984.7	3622.5	10.3	503.0	466.4	7.8	21.8	46100	31.03.89
146	160	Bayerische Vereinsbank	Ger	2581.0	112	0	0.0	0.0	0.0	345.9	318.1	8.7	@21.9	y14786	31.12.88
147	0	Ferruzzi Finanziaria	Ita	2575.2	171	0	0.0	0.0	0.0	356.4	0.0	0.0	0.0	0	*31.12.88
148	128	Guardian Royal Exchange	Uk	2568.4	151	0	0.0	0.0	0.0	371.3	256.2	44.9	0.0	8265	31.12.88
149	127	Intercom	Bel	2549.2	221	141	2943.2	2949.3	-0.2	415.6	423.4	-1.8	13.6	y6553	31.12.88
150	136	Reckitt & Colman	Uk	2537.3	451	187	2164.7	2317.6	-6.6	297.0	260.3	14.1	41.6	21700	31.12.88
151	171	Saab-Scania	Swe	2519.0	401	59	6362.0	6196.5	2.6	482.2	536.1	-10.1	17.2	48445	31.12.88
152	178	Sydkraft	Swe	2506.6	221	312	903.2	883.7	2.2	137.5	112.2	22.6	12.1	y2666	31.12.88
153	167	Svenska Handelsbanken	Swe	2505.2	112	0	0.0	0.0	0.0	542.9	395.2	37.4	@26.0	8066	31.12.88
154	146	Associated British Foods	Uk	2498.3	451	107	3876.4	3536.0	8.9	368.2	326.7	12.7	15.0	58024	01.04.89
155	173	Redland	Uk	2467.3	611	156	2684.5	2212.7	0.0	343.9	287.4	0.0	22.5	20020	*31.12.88
156	122	Commercial Union	Uk	2462.4	151	0	0.0	0.0	0.0	313.4	264.1	18.6	0.0	20067	31.12.88
157	138	Ranks Hovis McDougall	Uk	2435.5	451	163	2591.0	2397.2	8.1	343.2	180.3	54.9	36.6	39195	03.09.88
158	155	United Biscuits	Uk	2419.6	451	114	3696.1	3035.1	21.8	264.3	228.3	15.8	27.5	47004	31.12.88
159	192	Kansallis-Osake-Pankki	Fin	2393.4	112	0	0.0	0.0	0.0	236.3	197.4	19.2	@22.3	y6532	31.12.88
160	0	Groupe Victoire	Fra	2388.0	182	0	0.0	0.0	0.0	275.9	261.4	5.7	0.0	y9623	31.12.88
161	178	Lonrho	Uk	2378.4	171	80	5071.7	4660.0	8.4	340.4	310.9	12.4	18.1	129908	30.09.88
162	119	TSB Group	Uk	2377.4	112	0	0.0	0.0	0.0	652.3	526.6	23.4	<19.2	42243	*31.10.88
163	186	Rolls-Royce	Uk	2359.4	521	139	3063.7	3197.2	-4.2	260.6	242.2	7.7	16.6	40900	31.12.88
164	212	RMC Group	Uk	2307.5	611	130	3208.5	2777.5	15.4	316.7	234.0	35.6	28.4	23367	31.12.88
165	213	Groupe Bruxelles Lambert	Bel	2290.1	171	0	0.0	0.0	0.0	144.6	146.7	-1.4	@15.4	0	31.12.88
166	168	British Airways	Uk	2282.2	301	56	6610.2	5832.3	13.3	416.1	354.0	17.6	29.5	50204	*31.03.89
167	131	Legal & General Group	Uk	2278.5	141	0	0.0	0.0	0.0	221.4	123.0	80.1	0.0	6638	31.12.88
168	130	Michelin	Fra	2275.2	574	44	7718.6	7122.7	8.4	547.0	533.4	2.6	14.9	y119627	31.12.88
169	135	Iberduero	Spa	2263.8	221	228	1690.6	1497.5	12.9	269.3	182.1	58.3	9.2	0	31.12.88
170	187	Linde	Ger	2244.3	566	217	1801.2	1592.6	13.9	129.9	118.0	10.1	13.1	y15890	31.12.88
171	181	Amro Bank	Net	2230.0	112	0	0.0	0.0	0.0	364.9	299.8	21.7	@15.9	y23199	31.12.88
172	164	Hillsdown Holdings	Uk	2180.9	451	71	5510.6	4718.3	16.8	234.3	171.3	36.8	19.4	42652	31.12.88
173	0	DSM	Net	2142.5	622	88	4542.2	4029.3	12.7	504.9	301.6	67.4	20.8	y26626	*31.12.88
174	190	Hawker Siddeley Group	Uk	2138.8	591	144	2900.6	2705.5	7.2	285.2	253.4	12.6	15.1	43900	31.12.88
175	148	Courtaulds	Uk	2135.0	621	102	4052.2	3759.6	7.8	306.1	342.5	-10.7	23.6	68300	31.03.89
176	149	Banco Popular Espanol	Spa	2123.7	112	0	0.0	0.0	0.0	378.2	300.7	26.1	@43.1	y11740	31.12.88
177	191	Generale Banque	Bel	2108.6	112	0	0.0	0.0	0.0	207.1	187.4	23.7	@10.2	y16367	31.12.88
178	162	Total	Fra	2100.3	212	26	12406.3	12920.7	-4.0	922.8	930.2	-0.8	16.3	y41662	31.12.88
179	158	Algemene Bank Nederland	Net	2096.8	112	0	0.0	0.0	0.0	374.3	329.9	13.6	@14.3	y30680	31.12.88
180	182	Sanofi	Fra	2092.9	433	186	2170.1	1883.3	15.2	196.1	257.1	-24.1	18.2	19861	#31.12.88
181	202	Elsevier	Net	2089.9	472	331	729.5	659.3	10.6	145.6	112.1	29.8	72.8	y6994	31.12.88
182	177	Kymmene	Fin	2087.3	651	178	2346.9	2159.2	8.7	400.8	202.2	98.0	18.8y	16057	*31.12.88
183	234	Viag	Ger	2061.0	622	85	4787.0	4267.5	12.2	283.0	253.7	11.5	15.5	32957	31.12.88
184	175	Blue Circle Industries	Uk	2060.0	611	221	1748.9	1659.5	5.3	315.4	240.7	31.0	16.9	16303	31.12.88
185	180	Hammerson Property	Uk	2048.8	161	0	0.0	0.0	0.0	115.6	84.3	38.3	8.0	411	31.12.88
186	209	Kaufhof	Ger	2042.2	491	77	5107.8	4497.8	13.6	98.7	87.7	10.2	8.6	42600	31.12.88
187	241	Perrier, Source	Fra	2031.2	424	193	2132.2	1646.5	29.5	235.3	117.2	100.8	37.9	y17806	31.12.88
188	196	Karstadt	Ger	2030.7	491	61	6255.0	6032.5	3.7	124.7	182.5	[illegible]	7.6	y60673	31.12.88
189	157	Kingfisher	Uk	2022.9	492	99	4131.1	3372.7	22.5	349.0	274.6	28.6	21.6	67173	*28.01.89
190	182	VEW	Ger	2011.7	221	143	2908.9	2747.9	5.9	184.3	190.5	-3.3	6.8	y7400	31.12.88
191	248	BICC	Uk	1990.8	541	87	4578.1	3864.9	18.4	242.9	199.5	21.9	30.3	44739	31.12.88
192	154	Royale Belge	Bel	1989.2	151	0	0.0	0.0	0.0	258.4	241.7	6.9	0.0	5130	31.12.88
193	165	EBES	Bel	1983.6	221	194	2126.4	2106.9	0.8	273.7	286.0	-4.3	11.9	y5493	31.12.88
194	144	Smith & Nephew	Uk	1971.1	431	308	928.4	848.4	9.4	192.9	170.2	13.3	27.7	13632	31.12.88
195	153	Burton Group	Uk	1947.7	495	166	2459.3	2078.6	18.9	329.7	284.8	15.4	28.4	36207	03.09.88
196	161	Scottish & Newcastle Breweries	Uk	1922.6	421	236	1596.3	1415.4	12.8	214.8	175.6	22.3	17.2	24494	30.04.89
197	200	Schering	Ger	1916.8	622	159	2654.7	2376.4	12.1	168.0	160.1	4.9	9.0	y24086	31.12.88
198	204	Pernod Ricard	Fra	1910.1	422	220	1739.9	1594.4	9.1	136.6	165.0	11.1	26.5	10287	*31.12.88
199	169	Alleanza	Ita	1908.0	151	0	0.0	0.0	0.0	62.1	38.4	42.9	0.0	y4739	*31.12.88
200	222	Hufvudstaden	Swe	1900.3	161	0	0.0	0.0	0.0	36.4	14.8	146.5	21.1	y367	31.12.88
201	189	Cookson Group	Uk	1857.4	621	218	1792.2	1298.0	38.1	276.4	223.3	23.8	38.8	14381	31.12.88
202	280	Rheinelektra	Ger	1845.9	541	357	303.6	286.0	6.2	31.2	24.9	28.3	14.9	3085	30.09.88
203	323	Carlton Communications	Uk	1842.5	463	351	337.6	174.3	93.7	76.3	52.3	45.9	50.4	1850	30.09.88
204	235	Standard Chartered	Uk	1831.8	112	0	0.0	0.0	0.0	465.5	-388.2	225.1	<60.5	8076	31.12.88
205	219	Aegon	Net	1823.9	151	0	0.0	0.0	0.0	207.3	180.1	12.0	-6.8	y9294	31.12.88
206	390	Pirelli Spa	Ita	1822.0	574	0	0.0	0.0	0.0	48.8	43.7	11.7	7.4	68339	*30.06.88
207	215	Cap Gemini Sogeti	Fra	1804.4	551	318	866.3	621.9	0.0	84.4	73.4	0.0	33.7	y12897	31.12.88
208	245	Havas (Agence)	Fra	1777.7	475	174	2352.9	2041.9	15.2	204.6	144.4	41.7	17.0	9497	31.12.88
209	260	Accor International	Fra	1777.5	464	216	1837.8	1658.4	10.8	163.1	111.2	46.7	18.5	y61352	31.12.88
210	239	Degussa	Ger	1774.8	622	55	6676.9	5923.7	16.1	145.1	116.5	24.6	8.9	32156	30.09.88
211	258	LASMO	Uk	1773.9	213	363	231.7	267.1	-13.3	34.5	55.9	-38.1	8.4	403	*31.12.88
212	185	Heineken	Net	1772.7	421	126	3272.0	2988.4	9.5	209.4	212.7	-1.5	12.6	28719	31.12.88
213	199	Victoria Lebens	Ger	1766.6	152	0	0.0	0.0	0.0	355.9	345.4	0.0	0.0	12791	31.12.87
214	228	Ultramar	Uk	1761.8	213	229	1672.7	1646.2	1.7	172.0	164.6	-4.6	11.7	3396	31.12.88
215	195	Aachener & Munchener Beteilig	Ger	1754.8	151	0	0.0	0.0	0.0	56.5	54.9	1.0	0.0	y6079	#31.12.88
216	184	Royal Bank of Scotland	Uk	1753.8	112	0	0.0	0.0	0.0	480.1	306.2	56.8	<30.1	25174	30.09.88
217	307	Hochtief	Ger	1752.9	613	263	1358.1	1376.8	-1.3	52.5	33.0	59.4	3.2	36351	31.12.88
218	230	AGA	Swe	1749.5	621	240	1468.2	1585.9	-7.4	179.4	125.5	43.0	17.4	y2742	31.12.88
219	208	Pharmacia	Swe	1745.4	433	286	1017.3	913.5	11.4	59.9	135.5	-55.8	10.2	y9705	31.12.88
220	225	Carlsberg	Den	1731.3	421	269	1299.5	1185.2	9.7	120.0	107.2	11.9	16.0	y13895	30.09.88
221	237	Pohjola Group	Fin	1707.6	151	0	0.0	0.0	0.0	60.8	72.8	-16.5	0.0	y9017	31.12.88
222	203	Burmah Oil	Uk	1696.9	214	195	2121.0	1962.8	8.6	227.0	212.0	7.1	30.3	10919	31.12.88
223	297	Compagnie Industriali Riunite	Ita	1696.2	171	0	0.0	0.0	0.0	72.0	46.4	0.0	<8.8	0	#*31.12.88
224	206	Lucas Industries	Uk	1656.6	571	150	2848.4	2594.1	9.7	227.2	177.8	27.8	20.4	59047	31.07.88
225	266	Lyonnaise des Eaux	Fra	1631.1	221	151	2800.7	2508.3	11.7	160.4	162.0	-1.1	9.0	29630	31.12.88
226	142	Maxwell Communications Corp.	Uk	1616.0	472	188	2159.2	1372.6	0.0	296.1	257.6	0.0	26.7	20376	*31.03.89
227	310	Man	Ger	1604.6	566	47	7592.7	7532.1	-0.3	172.6	151.2	14.1	8.0	61901	30.06.88
228	336	Alsthom	Fra	1599.8	592	97	4196.1	4205.9	-0.5	106.3	70.5	50.7	8.0	y41491	31.12.88
229	288	Sedgwick Group	Uk	1593.5	142	0	0.0	0.0	0.0	121.0	157.0	-22.9	24.4	13721	31.12.88
230	205	SAI	Ita	1593.3	151	0	0.0	0.0	0.0	63.4	70.1	-9.6	0.0	y9696	#31.12.88
231	216	Granada Group	Uk	1590.3	461	181	2279.3	1584.0	43.9	222.4	172.5	28.9	25.0	27977	01.10.88
232	226	AG Financiere	Bel	1590.1	151	0	0.0	0.0	0.0	149.0	104.9	0.0	38.3	y3030	*31.12.88
233	279	Alusuisse	Swi	1588.8	634	121	3501.4	2970.2	17.9	165.7	151.7	22.4	10.8	y24457	*31.12.88
234	293	Bancaire (Compagnie)	Fra	1555.6	121	0	0.0	0.0	0.0	285.2	298.8	-4.2	@22.9	y4003	31.12.88
235	274	Taylor Woodrow	Uk	1550.3	613	209	1571.9	1338.0	39.9	160.4	113.5	41.3	16.3	8954	31.12.88
236	199	English China Clays	Uk	1528.0	611	250	1454.8	1184.0	22.9	225.8	174.1	29.7	23.9	13397	30.09.88
237	246	GKN	Uk	1527.8	571	138	3086.0	2951.2	4.6	275.5	227.5	21.2	22.9	37122	31.12.88
238	194	Hidroelectrica Espanola	Spa	1526.4	221	198	2031.3	1785.7	13.8	172.3	152.5	12.9	9.0	y6662	31.12.88
239	259	Siebe	Uk	1517.2	591	206	1888.6	1640.8	15.0	236.8	182.8	29.6	26.1	30546	01.04.89
240	270	Ciments Francais	Fra	1507.3	611	247	1478.6	1199.2	23.3	214.3	156.7	36.8	26.0	y9400	31.12.88
241	348	Valeo	Fra	1502.0	571	169	2454.3	1842.9	0.0	151.3	65.8	0.0	27.0	y29400	31.12.88
242	276	Trelleborg	Swe	1501.5	566	129	3222.8	2559.6	25.9	299.6	133.1	120.6	24.4	26063	31.12.88
243	227	Societe Gen. de Surveillance	Swi	1500.4	481	300	963.4	915.9	7.4	102.2	82.7	23.6	20.6	21663	31.12.88
244	316	Metallgesellschaft	Ger	1494.5	634	45	7700.7	6737.4	14.3	139.3	91.8	52.0	13.1	13295	30.09.88
245	174	BPB Industries	Uk	1492.7	611	244	1491.9	1350.5	10.5	314.1	283.1	11.0	37.9	11903	31.03.89
246	309	Alfa-Laval	Swe	1487.3	566	210	1859.9	1695.1	0.0	189.0	104.6	0.0	16.5	y17136	31.12.88
247	217	Holderbank Management	Swi	1485.1	611	175	2347.9	2159.8	8.7	330.1	269.2	22.6	11.3	y30053	31.12.88
248	262	Isar Amperwerke	Ger	1482.4	221	325	815.6	790.0	0.0	55.4	79.9	0.0	2.2	0	#*30.06.88
249	219	Amev	Net	1461.4	161	0	0.0	0.0	0.0	152.5	163.5	-6.7	0.0	y11375	31.12.88
250	285	Nobel Industries	Swe	1459.8	622	132	3199.6	2884.3	58.2	139.8	110.0	27.1	17.8	y21190	31.12.88
251	201	Swiss Volksbank	Swi	1454.5	112	0	0.0	0.0	0.0	91.7	88.8	3.3	@7.9	y3992	#31.12.88
252	258	Delhaize	Bel	1446.1	492	79	6068.6	4113.3	26.7	177.6	136.0	30.6	36.1	y49000	31.12.88
253	277	Pollet	Fra	1427.7	611	218	1818.3	1555.7	16.9	145.6	107.4	36.5	27.4	11332	*31.12.88
254	242	Inchcape	Uk	1415.9	171	110	3606.8	3185.5	20.3	229.3	180.4	27.1	31.9	45247	31.12.88
255	159	Nokia	Fin	1405.4	551	89	4934.9	3185.9	55.9	245.8	277.1	-11.3	11.5	44588	31.12.88
256	233	Slough Estates	Uk	1395.2	161	0	0.0	0.0	0.0	116.6	96.0	21.5	8.8	476	31.12.88
257	223	Harrisons & Crosfield	Uk	1389.7	512	158	2670.8	2376.9	12.3	191.5	139.9	36.9	24.6	27204	31.12.88
258	368	Kesko Oy	Fin	1383.7	495	66	5909.1	5505.4	7.3	125.8	88.7	41.9	9.7	y7604	31.12.88
259	0	Compagnie Industrielle	Fra	1379.9	121	0	0.0	0.0	0.0	17.0	15.0	13.2	0.0	0	#*31.12.88
260	251	Smiths Industries	Uk	1379.6	566	292	1034.8	667.6	55.0	150.9	102.0	47.9	41.5	13963	31.07.88
261	283	Inspectorate International	Swi	1377.4	531	251	1447.8	789.2	83.4	82.9	84.1	-2.2	12.0	y7294	31.12.88
262	240	Kredietbank	Bel	1356.1	112	0	0.0	0.0	0.0	119.8	103.1	16.2	@13.1	y8817	*31.08.89
263	286	Continental	Ger	1354.6	574	103	3998.1	2576.6	0.0	171.2	136.7	0.0	12.9	y46207	*31.12.88
264	0	NFC	Uk	1349.7	302	203	1949.9	1415.2	37.7	104.2	73.6	41.6	30.2	30510	*01.10.88
265	267	Tate & Lyle	Uk	1339.8	451	128	3342.7	2640.7	22.8	185.5	142.9	30.5	25.1	17000	*01.10.88
266	0	CMB Packaging	Fra	1336.7	672	257	1406.6	1077.1	30.6	129.0	81.6	81.0	30.1	y12890	*31.12.88
267	247	Unigate	Uk	1324.7	451	117	3657.5	3361.8	8.8	158.1	148.0	6.8	23.4	38195	31.03.89
268	0	Nordstjernan	Swe	1320.7	171	115	3672.0	2470.1	0.0	213.7	86.2	0.0	+16.6	y31475	*31.12.88
269	278	Feldmuhle Nobel	Ger	1318.0	591	106	3993.8	4954.8	-19.4	161.8	151.2	7.0	7.7	y33498	31.12.88
270	311	Hafslund Nycomed	Nor	1310.9	401	354	323.7	277.7	16.6	106.2	22.2	378.5	30.1	y1576	31.12.88
271	350	Allied Irish Banks	Ire	1310.5	112	0	0.0	0.0	0.0	210.2	168.6	24.7	<46.5	0	31.03.89
272	296	Asko Deutsche Kaufhaus	Ger	1306.2	491	89	4447.9	4218.5	5.4	79.8	105.1	-24.5	20.9	y31258	31.12.88
273	369	Heidelberger Zement	Ger	1304.1	611	301	960.2	884.5	10.6	89.9	112.2	-19.8	14.8	7116	31.12.88
274	433	Euroc	Swe	1293.3	611	258	1407.1	989.4	0.0	253.0	88.2	0.0	+29.6	y9100	31.12.88
275	313	Bouygues	Fra	1289.1	613	81	7160.0	6162.3	0.0	179.5	149.2	0.0	6.7	63208	31.12.88
276	0	Schneider (Groupe)	Fra	1282.3	541	64	6001.6	4353.4	0.0	244.9	130.2	0.0	+9.3	0	*31.12.88
277	362	Atlas Copco	Swe	1282.2	566	206	1918.4	1726.0	11.2	173.4	147.6	17.3	24.2	19207	31.12.88
278	146	Coats Viyella	Uk	1276.7	412	145	2880.1	2787.0	3.3	209.9	330.4	-36.5	17.4	67420	31.12.88
279	312	BHF Bank	Ger	1272.4	112	0	0.0	0.0	0.0	118.3	108.0	9.5	@16.6	y2287	31.12.88
280	387	Preussag	Ger	1270.7	634	70	5774.9	5268.2	9.6	70.9	53.7	31.9	5.6	y25520	31.12.88
281	370	Credit Comm de France	Fra	1267.3	112	0	0.0	0.0	0.0	121.0	98.1	23.3	@16.9	0	31.12.88
282	458	Ferruzzi Agricola Finanziaria	Ita	1267.1	171	21	15747.0	3510.8	0.0	209.5	98.3	0.0	4.6	y54498	*31.12.88
283	0	Bergesen d.y. Group	Nor	1259.0	303	365	309.7	264.0	17.3	94.8	68.1	39.3	20.3	y1614	31.12.88
284	232	United Newspapers	Uk	1259.5	473	284	1170.5	1112.7	5.2	167.3	148.5	12.7	59.3	14039	31.12.88
285	220	Pearl Group	Uk	1255.2	141	0	0.0	0.0	0.0	94.3	89.2	36.2	0.0	6706	31.12.88
286	229	Electrowatt	Swi	1251.5	221	0	0.0	0.0	0.0	42.1	40.5	3.8	6.2	y15439	30.06.88
287	381	Baloise Insurance Group	Swi	1246.5	151	0	0.0	0.0	0.0	22.0	18.9	16.1	0.0	y6667	*31.12.88
288	290	Korsnas	Swe	1243.6	652	335	691.5	460.3	0.0	132.6	77.7	0.0	22.1	4360	*31.12.88
289	255	British Land	Uk	1237.9	161	0	0.0	0.0	0.0	108.2	87.6	23.6	5.6	244	31.03.89
290	357	Banque Bruxelles Lambert	Bel	1233.9	112	0	0.0	0.0	0.0	107.2	92.5	15.9	@13.1	y0	*30.09.88
291	305	Legrand	Fra	1229.2	541	321	838.6	735.3	13.8	140.7	119.3	18.0	28.4	y12800	31.12.88
292	498	Matra	Fra	1226.1	521	146	2879.3	2559.3	12.5	66.9	57.6	16.2	15.0	19479	31.12.88
293	271	Italcementi	Ita	1214.4	611	316	885.4	820.4	7.9	244.1	253.8	-3.8	21.5	0	31.12.88
294	224	Dalgety	Uk	1213.5	451	54	6992.2	7766.8	-10.0	154.7	143.6	7.7	21.7	22880	30.06.89
295	289	Creditanstalt-Bankverein	Aus	1204.6	112	0	0.0	0.0	0.0	39.9	37.8	5.6	@3.0	y10376	*31.12.88
296	0	Danisco	Den	1200.5	451	317	870.4	898.2	-3.1	58.0	50.9	13.9	10.9	y7107	*30.04.89
297	328	Booker	Uk	1194.9	591	149	2858.8	1962.1	45.6	122.2	85.6	22.4	43.4	17165	31.12.88
298	282	Navigation Mixte	Fra	1193.4	171	156	2701.7	1891.3	0.0	204.5	167.2	0.0	+6.8	y35539	31.12.88
299	193	Smurfit, Jefferson	Ire	1193.3	652	214	1831.2	1550.1	18.2	319.1	207.7	53.6	46.7	15932	31.12.88
300	214	Williams Holdings	Uk	1180.4	591	271	1282.1	718.5	0.0	160.2	88.8	0.0	55.7	15481	*31.12.88
301	402	Novo-Nordisk	Den	1185.4	433	324	818.5	0.0	0.0	120.7	0.0	0.0	11.8	y7380	*31.12.88
302	387	Merlin-Gerin	Fra	1186.1	541	227	1686.2	1456.3	15.8	118.8	88.4	34.0	29.6	y21192	31.12.88
303	266	Compania Espanola de Pet.	Spa	1173.7	214	147	2870.1	2960.8	-2.7	114.7	87.1	31.6	15.5	y6867	31.12.88
304	318	KLM	Net	1173.4	301	167	2878.2	2604.8	6.8	194.5	140.5	38.3	12.4	y23588	31.03.89
305	319	Den Danske Bank	Den	1172.6	112	0	0.0	0.0	0.0	326.8	162.8	100.7	<30.4	y6295	31.12.88
306	394	Hachette	Fra	1157.4	472	119	3636.0	2993.3	0.0	116.1	93.3	0.0	+21.6	y26460	31.12.88
307	322	FKI Babcock	Uk	1157.2	563	201	2023.8	1404.0	44.2	167.5	75.4	122.1	66.6	30782	31.03.89
308	339	Saint Louis Group	Fra	1159.7	451	274	1262.1	1851.4	-32.0	204.5	359.9	-43.2	33.1	7966	31.12.88
309	342	Industrivarden	Swe	1152.7	171	0	0.0	0.0	0.0	139.5	79.9	0.0	+18.3	10612	31.12.88
310	335	Partek	Fin	1152.6	611	266	1329.0	1092.4	21.7	133.0	86.6	43.7	22.6	11863	31.12.88
311	265	Chargeurs	Fra	1139.4	171	176	2319.8	1600.8	44.9	173.2	148.5	16.6	16.9	22135	31.12.88
312	337	Kwik Save Group	Uk	1139.3	493	262	1446.5	1282.8	12.8	86.7	72.4	15.4	30.0	8422	27.08.88
313	253	Esselte	Swe	1136.7	671	199	2186.5	1916.1	12.6	173.8	118.5	46.7	24.4	18310	31.12.88
314	363	Ahold	Net	1134.7	493	57	6589.3	4986.8	32.3	88.2	88.7	0.7	16.9	y60286	01.01.89
315	261	Swissair	Swi	1124.0	301	172	2363.9	2268.4	5.6	89.2	83.9	4.3	6.9	y18594	#31.12.88
316	275	BS	Uk	1122.8	671	260	1401.4	1338.0	4.8	167.9	143.3	17.1	14.5	20444	31.12.88
317	262	Berisford International	Uk	1116.6	451	101	4107.1	4743.5	-13.4	157.8	136.9	16.1	17.0	8106	*30.09.88
318	340	Beghin-Say	Fra	1113.7	451	81	5032.6	1388.3	0.0	196.8	130.3	0.0	18.6	15387	*31.12.88
319	284	Wimpey (George)	Uk	1109.3	613	160	2630.4	2236.1	17.5	224.4	148.8	50.8	21.5	17890	31.12.88
320	341	Cobepa	Bel	1105.9	112	0	0.0	0.0	0.0	122.1	75.1	0.0	@23.9	0	31.12.88

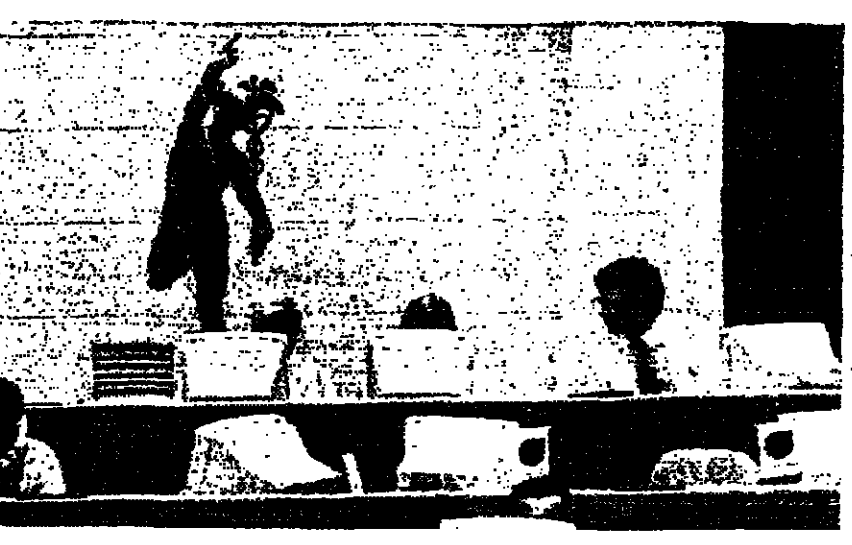
FT TOP 500: Europe

Ranking 1989	1988	Company	Country	Market Capital $m	Sector	Bank	Turnover This year $m	Last year $m	per cent change	Profit this year $m	last year $m	per cent change	ROCE	Employees	Year end
[illegible]															
479	495	Deutsche Babcock	Ger	623.4	592	181	2603.3	2440.1	6.7	40.3	46.5	-13.3	+5.3y	22347	30.09.88
480	0	Hussel Holdings	Ger	622.0	491	320	844.2	752.7	0.0	60.0	56.2	0.0	23.1	y9405	31.12.88
481	404	Amer Group	Fin	620.6	171	294	1021.4	813.0	25.6	68.9	61.7	8.4	11.9	y3537	*28.02.89
482	451	Grand Lacs - Cometra	Bel	619.7	212	0	0.0	0.0	0.0	43.1	34.4	25.3	8.9	ø	31.12.88
483	445	Fisher (Albert)	Uk	618.8	451	322	832.4	384.4	116.5	51.9	28.8	80.3	25.7	3789	31.08.88
484	0	Redoute (La)	Fra	618.2	491	245	1486.2	1589.0	0.0	53.0	48.4	0.0	19.8	y12541	*31.12.88
485	0	Gotagruppen	Swe	615.6	121	0	0.0	0.0	0.0	133.9	63.7	110.1@	42.7	4550	31.12.88
486	422	Marley	Uk	612.8	611	307	932.2	888.1	5.0	109.0	86.0	26.8	28.0	10681	31.12.88
487	457	Instrumentarium	Fin	610.9	552	349	395.0	329.6	19.8	72.7	37.6	93.4	21.8	2869	31.12.88
488	474	Allied Colloids Group	Uk	610.6	622	380	283.0	253.0	11.8	58.2	56.0	2.2	37.8	2030	01.04.89
489	475	SBA Group	Uk	610.4	571	236	1671.3	1044.4	60.4	99.5	64.0	55.6	27.9	22765	31.12.88
490	0	Comptoirs Modernes	Fra	609.6	495	196	2107.2	1830.2	0.0	47.7	40.4	0.0	23.8	y14672	31.12.88
491	351	Rosehaugh	Uk	608.8	161	0	0.0	0.0	0.0	47.2	23.5	100.9	9.1	215	30.06.88
492	349	Kleinwort Benson Group	Uk	606.5	121	0	0.0	0.0	0.0	27.6	80.2	-65.6	<8.0	3051	31.12.88
493	491	Ocean Transport & Trading	Uk	605.4	303	239	1594.6	1475.2	8.1	59.8	64.0	-6.6	18.3	9092	31.12.88
494	0	Elkem	Nor	600.5	634	262	1358.2	1056.9	28.5	91.8	-20.5	548.3	17.6	y7605	31.12.88
495	0	Premier Consolidated Oilfields	Uk	599.3	213	360	33.2	40.6	-18.5	19.3	22.5	-40.3	8.6	122	31.03.89
496	0	Baltica Holdings	Den	599.3	151	0	0.0	0.0	0.0	45.0	35.9	26.4	0.0	y3064	31.12.87
497	463	Ward White Group	Uk	597.8	492	265	1140.7	1172.4	-2.7	118.9	101.7	16.9	32.8	17738	31.01.89
498	0	Italcable	Ita	597.6	223	346	409.0	368.8	10.9	92.9	70.2	32.3	23.0	y3293	#*31.12.88
499	444	Sommer Allibert	Fra	595.8	402	266	1308.9	998.8	30.6	92.7	81.1	14.3	26.6	y12044	*31.12.88
500		Linotype	Ger	595.2	551	356	308.5	260.1	18.7	47.4	40.9	15.9	34.3	y2378	31.12.88

■ FOOTNOTES TO THE EUROPEAN TOP 500 LIST

< ROCE based on shareholders' funds
@ ROCE based on shareholders' funds after charging interest on loan capital not stated separately
+ ROCE based on capital employed at year-end
*Previous year's figures adjusted for accounting changes
Parent company accounts
y Employees at year-end
r ROCE not relevant
a ROCE not available
* see footnotes

15 Nestle, 1988 figures include results from Buitoni and Rowntree from mid-1988. 16 Generali, profit is net of tax. 18 Ciba-Geigy, profit is net of tax. 21 Roche Group, profit is net of tax. 23 ABB Asea Brown Boveri, ABB group consolidated results. No comparable figures for 1987 available.Figures in Us$ at year-end exchange rates. 24 Sandoz, profit is net of tax. 31 Banco Bilbao Vizcaya, merger of Banco de Bilbao and Banco de Vizcaya. 1987 figures are pro-forma. 56 Repsol, Stock exchange listing May 1989. 58 RWE, 1988 results include figures for Heidelberger Druckmaschinen AG for 9 months. 69 Norsk Hydro, Employees = 1987 figure. 73 British Steel, Stock Exchange listing 12/88. 78 Banco Espanol de Credito, ROCE based on shareholders' funds after charging interest at year-end and on figures restated after merger with Banco Central called off. 92 Stora, this year's results include figures for Swedish Match May - December 1988. 125 Argyll Group, 1988 figures include results from Safeways for 54 weeks. 136 Abbey Life, figures prepared according to merger-accounting principles assuming merger with Lloyds Bank subsidiaries effective at beginning of 1987. 147 Ferruzzi Finanziaria,net profit (after minorities). Comparable figures for 1987 not available. 155 Redland, year-end changed to 31/12/88. Last year's figures are for 12 months to 26/3/88. 166 British Airways, 1988 figures include results for British Caledonian for three months to 31/3/88. 173 DSM, stock exchange listing February 1989. 182 Kymmene, Figures include results for Schaumann Oy. 1987 figures are pro forma. 189 Kingfisher,formerly Woolworth Holdings. 198 Pernod Ricard, ROCE based on pre-tax profit and net interest. 199 Allianza, profit is net of tax. 208 Pirelli SpA, profit is net of tax. 211 LASMO, formerly London & Scottish Marine Oil. 228 Compagnie Industriali Riunite, profit is net of tax. 228 Maxwell Communications Corp, this year's figures are for fifteen months to 31/03/89. 232 AG Financiere, ROCE based on shareholders' funds after charging interest on loan capital not stated separately at year-end. 233 Alusuisse,profit is net of tax. 249 Isar Amperwerke, ROCE based on pre-tax profit and net interest. 253 Pollet,ROCE based on pre-tax profit and net interest. 259 Compagnie Industrielle, profit is net of tax. 262 Kredietbank, profit is net of tax. 263 Continental, due to changes in scope of consolidation, this year's and last year's figures are not comparable. 264 NFC, formerly National Freight Consortium. Stock market flotation February 1989. 265 Tate & Lyle, this year's figures are for 53 weeks to 1/10/88. 266 CMB Packaging, merger of Carnaud SA and Metalbox Packaging. Figures are for Carnaud Group only. 268 Nordstjernan, stock exchange listing September 1988. 276 Schneider, 1988 figures include results for Telemecanique for 12 months. ROCE based on pre-tax profit and net interest. 282 Feruzzi Agricola Finanziaria, last year's figures are for 12 months to 29/2/88. Profit=net profit after minorities. 287 Baloise Insurance, profit is net of tax. 288 Korsnas, This year's figures for 16 months,last year's for 12 months to 31/08/87. 290 Banque Bruxelles Lambert, Porift is net of tax. 295 Creditanstalt-Bankverein, profit is net of tax. 296 Danisco, merger of Danisco, De Danske Sukkerfabrikker and De Danske Spritfabrikker. Figures are for De Danske Sukkerfabrikker only. 300 Williams Holdings, this year's figures include eleven months from Berger,six weeks from Pilgrim House and four weeks from the Kidde businesses. 301 Merger of Novo Industri A/S and Nordisk Gentofte A/S 1/89.1988 figures are pro-forma. No comparable figures for 1987 available. ROCE based on pre-tax profit and capital employed at year-end. 317 Berisford International, formerly S & W Berisford. 318 Beghin-Say, 1988 figures include results for Central Soya and Cerestar Holding BV for 13 and 15 months respectively. 328 Cofide, This year's figures are for 18 months to 31/12/88. Profit is net of tax. 329 Generale Occidentale. ROCE calculated on pre-tax profit + net interest. 331 Blue Arrow, Figures for Manpower Inc are included for the full year in the 1988 results, for seven weeks in the 1987 results. g change of year end, this year's figures are for sixteen months to 31/12/88. 336 Pirelli Internationale, profit is net of tax. 337 Calor Group, 1988 figures restated to reflect demerger of oil operations. 339 Banco Ambrosiano Veneto, merger of Nuovo Banco Ambrosiano and Banca Cattolica del Veneto. Figures are for NBA only. 344 GIB Group,formerly GB-Inno-BM. Employees = parent co. 347 MB Group, relisted April 1989 after merger of Metalbox Packaging with Carnaud SA to form CMB Packaging.ROCE based on pre-tax profit and net interest. 361 Smith (W.H.) Group, this year's figures are for 53 weeks to 3/6/89. 364 Wolters Kluwer, 1987 figures are pro-forma. 369 Sun Life Assurance, profit is net of tax. 373 Ascom, profit is net of tax. 375 Laporte, formerly Laporte Industries. 376 Mo och Domsjo, figures include results for Holmen AB & Iggesund Bruk AB. 1987 figures are pro-forma. 378 Glynwed International, this year's figures are for 53 weeks to 31/12/88. 403 Hunter Douglas, figures in Us$ at year-end exchange rate. 405 Sulzer, profit is net of tax. 415 Pirelli & Co,profit is net of tax. 416 Simco, formerly Simco Union pour l'Habitation. 1988 figures include results for Immundo SA. 419 Volmac Software Groep, ROCE based on pre-tax profit. 430 Kali-Chemie, turnover=world;profits=parent company. 431 Osterreichische Landerbank, profit is net of tax. 434 Mecca Leisure Group, this year's figures are for 15 months to 31/12/88. 436 DAF, stock exchange listing June 1989. 1987 results include figures for Van Dorne's Bedrijfswagenfabriek for 12 months and for Leyland Daf Ltd from April 1987. 439 Schindler, ROCE based on pre-tax profit and net interest. 446 Cultor,formerly Finnish Sugar. 453 Investment AB Cardo, 1988 figures include results for Gambro AB for 12 months. 460 Financiere Agache, ROCE based on pre-tax profit. 462 Greenall Whitley, this year's figures are for 53 weeks to 30/9/88. 463 Landis & Gyr, Profit is net of tax.1988 figures include results for Landis & Gyr Powers USA and Lake Electronics, Ireland. 467 V.N.U., figures include results for Audet. 1987 results are pro forma. ROCE based on capital employed assuming merger with Audet effective at beginning of year. 478 Kloeckner-Humbold-Deutz, consolidated accounts. No comparable figures for 1987 available. 481 Amer Group, year-end changed to 28/02/89. Last year's figures are pro-forma.ROCE based on pre-tax profit. 484 Redoute (La), this year's figures are for 10 months to 31/12/88. 498 Italcable, profit is net of tax.ROCE based on net profit. 499 Sommer Allibert, ROCE based on pre-tax profit and net interest.



■ Mercurial times: the Norwegian stock market rose by 56.9 per cent during the year, and was Europe's most durable performer. The experience reflected the country's business recovery after several years of recession

Picture of the Oslo Stock Exchange: Alan Harper

Additions to the European Top 500

Company	Cntry.	This year	Sector
Banco Bilbao Vizcaya	Spa	31	112
Repsol	Spa	56	213
British Steel	Uk	73	633
Ferruzzi Finanziaria	Ita	147	171
Groupe Victoire	Fra	160	152
DSM	Net	173	622
Compagnie Industrielle	Fra	259	121
NFC	Uk	264	302
CMB Packaging	Fra	266	672
Nordstjernan	Swe	268	171
Schneider (Groupe)	Fra	276	541
Bergesen d.y. Group	Nor	283	303
Danisco	Den	296	451
Hoogovens	Net	335	633
MB Group	Uk	347	171
Daily Mail & General Trust	Uk	374	121
Bilspedition	Swe	389	304
Securicor Group	Uk	399	436
Hunter Douglas	Net	403	591
Vard	Nor	404	303
Dragados y Construcciones	Spa	411	611
Pirelli & Company	Ita	415	121
Volmac Software Groep	Net	419	482
PWA	Ger	422	652
Hoboken-Overpelt	Bel	423	634
Mecca Leisure	Uk	434	461
DAF	Net	436	401
U.E.I.	Uk	441	551
Cultor	Fin	446	452
East Asiatic Company	Den	451	591
Investment AB Cardo	Swe	453	171
JM Byggnads	Swe	454	613
Royal Nedlloyd Group	Net	458	303
Clyde Petroleum	Uk	459	213
Greenall Whitley	Uk	462	421
FAG Kugelfischer	Ger	465	566
Ecco	Fra	469	481
Kloeckner-Humbold-Deutz Group	Ger	478	566
Hussel Holdings	Ger	480	491
Redoute (La)	Fra	484	491
Gotagruppen	Swe	485	121
Comptoirs Modernes	Fra	490	495
Elkem	Nor	494	634
Premier Consolidated Oilfields	Uk	495	213
Baltica Holdings	Den	496	151
Italcable	Ita	498	223
Linotype	Ger	500	551

Departures from the European Top 500

Company	Cntry.	Last rank	Sector
Rowntree	Uk	63	451
Banco de Bilbao	Spa	77	112
Banco de Vizcaya	Spa	78	112
AEG	Ger	163	551
Iniziativa Meta	Ita	224	171
Metal Box	Uk	249	671
Associated Newspapers Hldgs	Uk	272	472
Alcatel (Cie Financiere)	Fra	281	533
Philips Kommunikations Ind	Ger	301	533
Waterford Glass	Ire	352	402
Carnaud	Fra	373	671
Ratos	Swe	386	171
Magnet	Uk	399	611
Electra de Viesgo	Spa	403	221
Yale and Valor	Uk	406	591
Coloroll	Uk	409	591
Gevaert Photo-Producten	Bel	412	621
Helvetia Feuer/Unfall	Swi	415	152
Hambros	Uk	417	121
Mountleigh Group	Uk	420	161
Harris Queensway Group	Uk	430	491
Meyer International	Uk	437	611
Pentland Industries	Uk	440	171
Caledonia Investments	Uk	443	131
Institut Merieux	Fra	449	433
Dawson International	Uk	450	411
Lex Service Group	Uk	452	571
Huhtamaeki	Fin	453	452
Sofina	Bel	454	221
Wilson (Connolly) Holdings	Uk	458	613
Pleasurama	Uk	462	461
London International Group	Uk	465	431
Ibstock Johnson	Uk	467	611
Gotabanken	Swe	469	112
First National Finance	Uk	472	122
Gotthard Bank	Swi	473	112
Barratt Developments	Uk	476	614
Gist-brocades	Net	477	433
Transport Development Group	Uk	480	302
Atlantic Computers	Uk	483	482
Jelmoli	Swi	485	491
Aar et Tessin	Swi	486	221
Societe Auxiliere d'Entreprise	Fra	492	613
London and Manchester Group	Uk	494	141
Mowlem (John)	Uk	495	613
Forbo	Swi	497	406
Globus	Swi	498	491

European equities: **Jeffrey Brown** sums up a year that saw . . .

Analysts caught on the hop

IT WAS Europe's year, no doubt about it. Booming economies, buoyed by relaxed monetary conditions, pushed share prices up, as business leaders grew ever more optimistic. If there was a catch-phrase on everybody's lips, it was "Onward to 1992".

Most share markets could not put a foot wrong. Company profits and dividends were in a strong uptrend. Takeover activity, shrugging off the after effects of the 1987 crash, was again a force to be reckoned with; and, with bond markets languishing, investors were firmly committed to equities of every hue.

The FT-Actuaries European Index, excluding the UK, advanced by more than around 25 per cent in the 12 months to the end of June 1989, to outperform the FT-A World Index by some nine percentage points. It went into July 1988 at just above 85, and closed a year later in excess of 106.

Out of the 13 European mainland stock markets covered by the FT-Actuaries World Indices, seven markets turned in a substantially better performance than the European index. The leading three advanced by more than 50 per cent, with the outright winner, Norway, chalking up a gain of no less than 56.9 per cent.

All European stock markets made progress, although Spain, up just 0.1 per cent over the 12 months, only just managed to squeak in on the right side of the balance sheet. To some extent, the back-markers – Spain, Denmark and Ireland – all suffered from earlier resilience. They were, respectively, the three best performing stock markets over the 1987-88 FT Top 500 year.

But the overriding feature of the year was the strong surge in share prices, and the fact that, by June 1989, most national equity indices had recovered to reach levels seen before the traumatic events of *October 1987. In this respect, it* was a year that caught most analysts on the hop.

Events moved swiftly. In the immediate aftermath of the 1987 crash, most investment houses had predicted little or no profits growth in West Germany for the calendar year 1988. But by mid-summer, the beginning of the FT500 year, analysts had been forced into a dramatic U-turn.

In the space of six months, forecasts for German earnings for 1988 went from minus a few percentage points to plus-12 per cent. Even that proved a substantial underestimate, because German profits eventually staged 1988 growth of around 15 per cent, and, on the back of very strong export demand, the uptrend spilled over strongly into 1989.

By the second quarter of 1989, however, a number of clouds had begun to gather. The dollar was again sending shivers through the currency markets, depressing the Deutsche Mark and bringing additional inflationary pressure. Interest rates, which had been stable across Europe, began their long defensive climb.

As the FT500 year drew to a close, it was clear that a number of European economies had begun the inevitable cyclical swing from over-heating to slowdown. By June this year, a great deal of optimism had been drained from equities. Yet, while it lasted, it had been fun.

■ Norway proved the most durable performer over the FT500 year, narrowly forcing Austria into second place. The winners laurels look deserved. The Norwegian experience was one of business recovery after several years of recession. Strong oil prices were an undoubted bonus but most of the progress was the result of sound economic management.

Two numbers stand out: inflation, which was running at almost 9 per cent in 1987, had clawed back to under 4.5 per cent by January-June, 1989; while GDP, having barely ticked over for two years, sprang back to life, growing by *some 2.5 per cent over the* course of the FT500 year.

■ At the other end of the league table, Spain partly suffered from too much success in the preceding year, when it had topped the FT500 charts with 18 per cent growth against minus-15.7 for the FT-Actuaries Europe index. The international fund manager simply moved on, despite company profits growth of around 25 per cent and a high level of takeover activity.

There were *obvious* problems with an over-heated economy. Spain's inflation rate was 4.8 per cent in 1988. A year later, it had jumped to 6.5 per cent; and, although inflation is theoretically good for equities, *foreign investors thought otherwise.* With the current account deficit closing in on 3 per cent of gross domestic product, the Spanish authorities applied the economic brakes with a vengeance in the *early part of 1989.*

■ France, with a gain of 33.9 per cent, was the best served of the major European stock markets, finishing comfortably ahead of Germany and almost 10 percentage points up on *Italy. Earnings growth* was remarkable, running above a fifth for most of the FT500 year; and, with inflation down to a relatively nominal 2.75 per cent, it was a year which did much to restore the credibility of French industry.

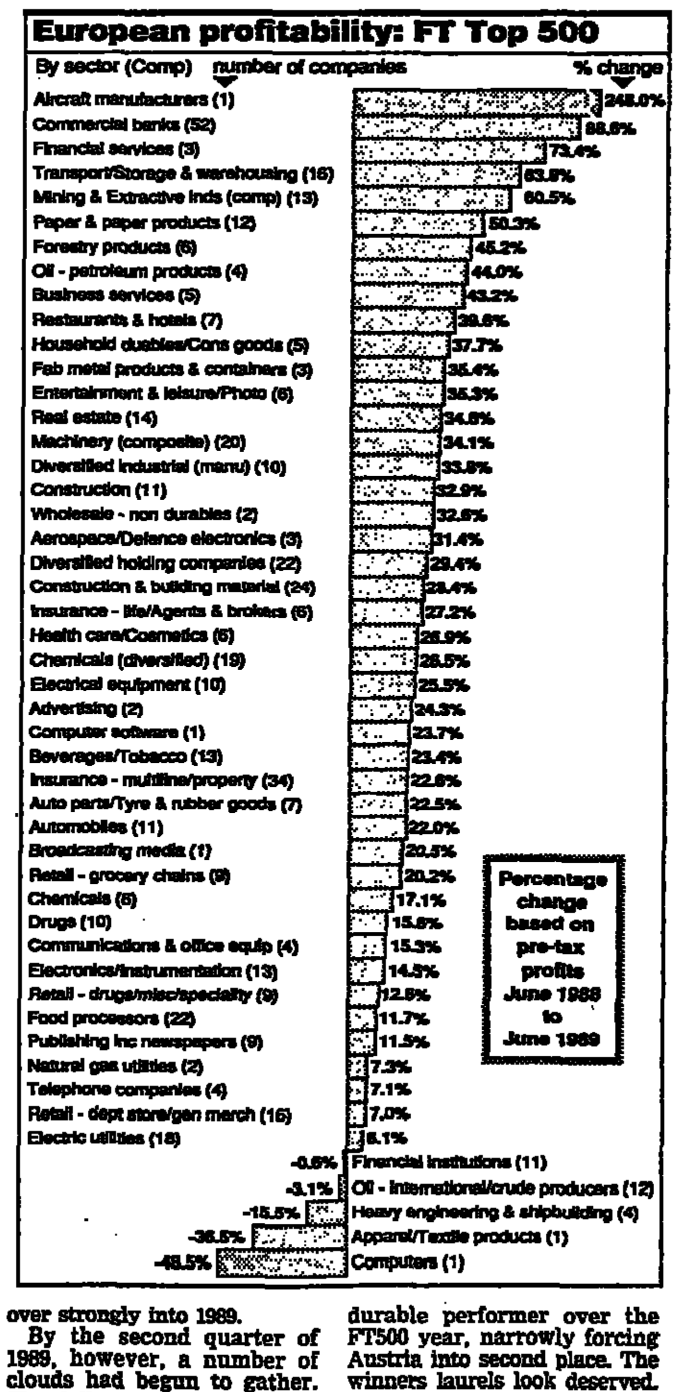
But it was takeover activity that stole the limelight as, one after another, whole sectors underwent a radical restructuring. The LVMH merger set a pace which rarely slackened throughout the 12 months.

■ One of the previous year's worst laggards, the West German equity market, staged a 27.5 per cent advance, propelled by rapid industrial output and fast-rising earnings. It is not often that German industry gets the chance of a period of lax money, and it made hay while it could.

It was an export-led performance, and the boom reached its zenith in the first and second *quarters of 1989 – the sec*ond half of the FT500 year – when the German economy grew by no less than 4.5 per cent and 4.9 per cent respectively.

■ Italy also had plenty of catching up to do from the preceding year, when the stock market had tumbled by some 26 per cent. But the Italian experience, a gain of 24.2 per cent, was mostly confined to 1988, with trading during January to June this year very volatile.

Profits growth, which surged to 25 per cent in 1988, tailed off sharply thereafter; the broad economy began to deteriorate *rapidly,* and equities suffered from a stream of heavy cash-calls from the Italian corporate sector.



Biggest profit increases: Europe

	Company	Cntry.	Sector	Rank	% Profit increase
1	Elkem	Nor	634	495	548.3
2	Copenhagen Handelsbank	Den	112	413	494.1
3	Lloyds Bank	Uk	112	77	483.9
4	Hoogovens	Net	633	335	362.2
5	Hafslund Nycomed	Nor	431	270	379.3
6	Barclays	Uk	112	30	277.0
7	British Aerospace	Uk	523	143	248.4
8	Midland Bank	Uk	112	86	237.2
9	Standard Chartered	Uk	112	204	225.1
10	Stockmann	Fin	491	443	204.2
11	Metsa-Serla	Fin	652	372	168.5
12	Hufvudstaden	Swe	161	200	146.5
13	Bekaert	Bel	633	429	142.2
14	Cultor	Fin	452	447	135.8
15	FKI Babcock	Uk	583	307	122.1
16	Trelleborg	Swe	566	242	120.6
17	Sampo Insurance Company	Fin	151	392	118.8
18	Oerlikon-Buehrle	Swi	521	343	117.7
19	Sun Alliance & London Insur.	Uk	151	103	117.1
20	Snia BPD	Ita	621	357	115.5
21	Gotagruppen	Swe	121	486	110.1
22	Cimenteries CBR	Bel	611	445	109.7
23	Colonia Versicherung	Ger	151	370	103.9
24	Rosehaugh	Uk	161	492	100.9
25	Perrier, Source	Fra	424	187	100.8

Trevor Humphries

A Tornado production line at British Aerospace. The company showed one of Europe's biggest profit increases

Biggest profit decreases: Europe

	Company	Cntry.	Sector	Rank	% Profit decrease
1	Wartsila	Fin	592	448	96.3
2	Storehouse	Uk	491	360	90.2
3	Nixdorf Computer	Ger	531	397	71.9
4	Kleinwort Benson Group	Uk	121	493	65.6
5	De La Rue	Uk	472	478	57.9
6	LASMO	Uk	213	211	58.1
7	Pharmacia	Swe	433	219	55.6
8	Jaguar	Uk	401	354	51.0
9	Clyde Petroleum	Uk	213	460	50.4
10	Morgan Grenfell	Uk	121	472	43.8
11	Saint Louis Group	Fra	451	308	43.2
12	Premier Consolidated Oilfield	Uk	213	496	40.3
13	Coats Viyella	Uk	412	278	36.4
14	Daily Mail & General Trust	Uk	121	374	31.5
15	Skandia Forsakring	Swe	152	134	25.6
16	Asko Deutsche Kaufhaus	Ger	491	272	24.8
17	Sanofi	Fra	433	180	24.1
18	Next	Uk	493	441	24.1
19	Dixons Group	Uk	495	401	24.0
20	Karstadt	Ger	491	186	23.2
21	Sedgwick Group	Uk	142	229	22.9
22	Bank Leu	Swi	112	382	20.9
23	Heidelberger Zement	Ger	611	273	19.8
24	Pirelli Internationale	Swi	481	336	19.6
25	Olivetti	Ita	534	121	19.5

MERGERS & ACQUISITIONS: **Nikki Tait** on the impetus of 1992 on the European scene, where . . .

France and US set the pace

IF A single theme has dominated the bids and deals scene throughout Europe during 1989, it has been the growing realisation that "1992" is set to become some sort of reality, and that steps should be taken in advance.

This has shown up most *crudely in the statistics for* European merger and acquisition activity. According to the Translink European Deal Review, there was an appreciable surge in cross-border acquisitions in the late spring, with *the May figure rising to £1.5bn* ($2.3bn), up from £1.2bn in the previous month and a monthly average of around £1.1bn in the first quarter.

The trend has become even more pronounced since then. By the half-year, the total figure for cross-border acquisitions in Europe was put at Ecu15.4bn ($13.5bn), but in the third quarter alone transactions worth another Ecu18.2bn are reckoned to have been added. By end-September, therefore, the total value of cross-border European deals in 1989 was a hefty Ecu33.6bn.

Certain countries have been appreciably more active than others. The US and France have tended to jockey for position as the major cross-border acquirers within Europe, followed by Britain. In the first six months of 1989, for example, the value of deals undertaken by French companies totalled Ecu4.1bn, with the US coming in just behind with a deal total of Ecu3.61bn. In the third quarter, however, spending by American companies surged to Ecu6.5bn – over one-third of the total – while the French managed a more modest Ecu3.72bn, or a 20 per cent share.

These two countries have generally been followed by the UK, deploying Ecu3.26bn in the first six months. At the half-year stage, Italy and Sweden fell into fourth and fifth place respectively, but with the aggregate spend dropping quite sharply in both cases. Japan, ranking sixth, forked out only Ecu531m on European deals.

The pattern for target countries, in which this expenditure has been deployed, looks rather different. Here, the UK has tended to be the most popular recipient. It was the target for almost half the total money spent in the nine-month period – easily outstripping West Germany (14.1 per cent), Italy (11.5 per cent) and France (9.7 per cent).

Looking behind the statistics, certain patterns have become clear. On the acquirers' side, the high showing by French companies confirms a clear impression that, of all the continental European countries, France has been the most adept and willing to adopt the "Anglo-Saxon" financial model.

So far as predatory action by US companies is concerned, two very different forces appear to have been at work. The first, and more honourable, motive seems to a genuine desire on the part of some companies to secure a position – whether a toehold or a bolstering of existing interests – in Europe before "1992" dawns.

But some of the US activity has had a less sanitised image. Involvement by the New York financial community – ranging from leveraged buy-out merchants, through the arbitrage sector to certain individual predators – in Europe has been noticeably more pronounced over the past 18 months. On the latter score, one could cite the likes of Asher Edelman (waging a phoney war with Storehouse), Jeffrey Steiner (bidding for Avdel), Ronald Franklin (winning DRG), the buy-in by Messers Nelson Peltz and Peter May at Mountleigh – all active in the most accessible market, the UK.

Perhaps the reasons for this wave of interest were set out most plainly by Sir James Goldsmith, when he announced plans to retread the UK acquisition trail early in the year. Prices in the US, he claimed, had become prohibitively expensive, as a result largely of the leveraged buy-out/buy-in movement. Competition from this flood of institutional money meant that deal price were driven higher and higher. The UK held greater opportunities.

Similar thinking as been echoed by other US predators – spreading their wings to the UK in particular, but also to European generally. But it has not been without problems.

Their difficulties with the fairly accessible UK market have centred on the dominant role played by the institutions – the insurance companies and pension funds which own more than three-quarters of the equity market.

A strong reluctance in certain quarters to see US leverage-type bid methods imported has provoked some fierce rearguard action. This was demonstrated perhaps most forcefully in the institutional pressure on BAT Industries to produce a solution which would allow fund managers to snub a Goldsmith cash bid for the tobacco-based conglomerate. That said, such reservations are not universal, and the eventual success of the Pembridge bid for DRG suggests that institutions are by no means unanimous in their resistance, and can, at the end of the day, be obliged to take a pragmatic line.

In Europe, the opportunities are curtailed principally by the structure of equity holdings and the undeveloped takeover procedure in some countries. Attempts to produce a "common takeover code", in many respects not dissimilar to the UK model, chug slowly through Brussels, with the UK's concerns centring largely on protection of its non-statutory bid regulatory system.

But, as many practitioners point out, the notion of "common rules" is rendered slightly academic until very considerable disparities in the vulnerability of companies to takeover in the different European nations is ironed out. This issue – the "level playing *field" – has been raised most* recently in a report by Coopers & Lybrand, undertaken for the British Government.

It concludes, fairly forcibly, that Britain has been by far the most active market in which cross-border acquisitions have taken place – Coopers reckons it was the target of 73 per cent of activity in 1988 – and attributes this to the fact that "UK listed companies are appreciably more open to acquisition than their counterparts in other EC countries."

It makes the point that a would-be acquirer seeking to take over a quoted company on the Continent in many instances is effectively negotiating on the same basis as if it was acquiring a private business. "As a result, the would-be acquirer is in a weak negotiating position," it comments.

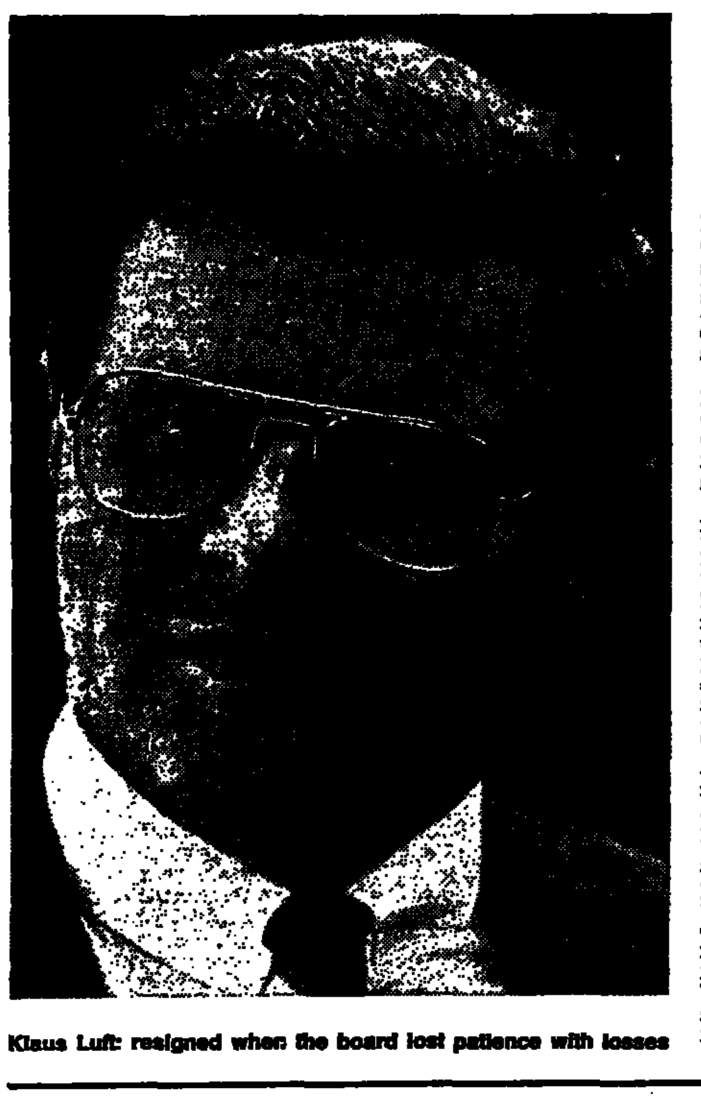
Whether other European countries can, or wish to, quickly dismantle such barriers – which range from complex shareholding structures and low disclosure requirements to Dutch-style "poison pills" – is a moot point. Arguments then encompass the thorny issue of the extent to which an open equity market, and ready opportunities for hostile bid activity, promotes the broader industrial good.

Meanwhile, it is worth noting that that much of the *recent cross-border bid activity* has centred on certain sectors. In the first half-year, transaction in the food and food-retailing sectors accounted for over one-fifth of the total value of deals struck. Banking/financial *services and construction/building materials* followed, with around 10 per cent apiece.

At the other end of the list, sectors such as leisure, media, packaging, and services each accounted for 1 per cent of less of the total. And that seems to suggest that the scope for pan-European bid activity remains considerable.

EUROPE'S TOP 100 BY TURNOVER

Ranking This	Ranking last	Company	Turnover $m	Cntry	Sector	Year end
1	1	Royal Dutch/Shell	68327.600	Nuk	212	31:12:88
2	3	IRI	41322.800	Ita	171	31:12:88
3	2	British Petroleum	40251.600	Uk	212	31:12:88
4	4	Daimler Benz	37148.700	Ger	401	31:12:89
5	6	Fiat	30699.700	Ita	401	31:12:88
6	8	Siemens	30011.300	Ger	541	30:09:88
7	5	Volkswagen	29933.600	Ger	401	31:12:88
8	0	Unilever plc/NV	26577.800	Nuk	451	31:12:88
9	9	Deutsche Bundespost	26538.100	Ger	406	31:12:88
10	10	Philips	25167.800	Net	541	31:12:88
11	12	Renault	24041.100	Fra	401	31:12:88
12	13	Nestle	23830.000	Swi	451	31:12:88
13	14	ENI	23083.400	Ita	622	31:12:88
14	11	BAT Industries	22632.000	Uk	171	31:12:88
15	15	Veba	22438.000	Ger	171	31:12:88
16	16	BASF	22173.500	Ger	622	31:12:88
17	17	Electricite de France	20782.900	Fra	221	31:12:88
18	21	Hoechst	20705.600	Ger	622	31:12:88
19	23	Peugeot	20622.900	Fra	401	31:12:88
20	20	Bayer	20454.900	Ger	622	31:12:88
21	18	CGE	19059.600	Fra	533	31:12:88
22	19	Elf Aquitaine	18782.600	Fra	212	31:12:88
23	24	Imperial Chemical Ind.	18166.100	Uk	622	31:12:88
24	27	ABB Asea Brown Boveri	17832.000	Swe/	541	31:12:88
25	22	Electricity Council	17650.621	Uk	221	31:03:88
26	25	British Telecom	17191.000	Uk	223	31:03:89
27	0	Ferruzzi Agricola Finanziaria.	15747.000	Ita	171	31:12:88
28	29	Thyssen	14789.400	Ger	633	30:09:88
29	28	Volvo	14470.400	Swe	401	31:12:88
30	32	Bosch,Robert	13988.600	Ger	551	31:12:88
31	26	RWE	13574.700	Ger	221	30:06:88
32	33	INI	13546.200	Spa	171	31:12:88
33	55	Generale des Eaux	12692.000	Fra	221	31:12:88
34	31	Total	12406.300	Fra	212	31:12:88
35	41	Bayerische Motoren Werke	12367.200	Ger	401	31:12:88
36	38	Petrofina	11756.000	Bel	212	31:12:88
37	40	Usinor Sacilor	11750.500	Fra	633	31:12:88
38	35	British Gas	11686.300	Uk	222	31:03:89
39	37	Hanson	11484.500	Uk	171	30:09:88
40	45	Thomson	11146.800	Fra	551	31:12:88
41	42	Electrolux	11074.500	Swe	402	31:12:88
42	36	OIAG	10793.684	Aus	171	31:12:88
43	30	Deutschen Bundesbahn	10582.600	Ger	304	31:12:88
44	39	Ruhrkohle	10437.700	Ger	631	31:12:88
45	43	Ciba-Geigy	10336.200	Swi	622	31:12:88
46	51	Mannesmann	10322.500	Ger	563	31:12:88
47	44	Montedison	9848.500	Ita	622	31:12:88
48	49	Ford Werke	9728.600	Ger	401	31:12:88
49	50	Carrefour	9656.800	Fra	493	31:12:88
50	46	Grand Metropolitan	9361.500	Uk	421	30:09:88
51	52	Ford Motor Company UK	9217.400	Uk	401	31:12:88
52	47	General Electric	9127.300	Uk	541	31:03:89
53	48	Op el,Adam	8826.300	Ger	401	31:12:88
54	60	Sainsbury J	8787.300	Uk	493	18:03:89
55	0	Saint-Gobain	8769.600	Fra	611	31:12:88
56	76	British Aerospace	8756.200	Uk	523	31:12:88
57	73	BTR	8498.000	Uk	591	31:12:88
58	58	Norsk Hydro	8358.700	Nor	214	31:12:88
59	61	Marks and Spencer	7952.600	Uk	491	31:03:89
60	64	Michelin	7718.800	Fra	574	31:12:88
61	71	Metallgesellschaft	7700.700	Ger	634	30:09:88
62	53	Soc. Generale de Belgique	7643.300	Bel	171	31:12:88
63	101	Pechiney	7642.900	Fra	671	31:12:88
64	59	Man	7562.700	Ger	586	30:06:88
65	63	Krupp (Fried)	7448.900	Ger	661	31:12:88
66	65	Akzo	7441.200	Net	622	31:12:88
67	62	SNCF	7385.700	Fra	304	31:12:88
68	74	Tesco Stores (Holdings)	7325.600	Uk	493	25:02:89
69	57	Statoil	7210.600	Nor	213	31:12:88
70	75	British Steel	7176.600	Uk	633	01:04:89
71	79	Bouygues	7160.000	Fra	613	31:12:88
72	54	Gateway Corporation	7013.800	Uk	493	29:04:89
73	72	Allied-Lyons	6993.800	Uk	421	04:03:89
74	56	Dalgety	6992.200	Uk	451	30:06:88
75	68	Migros	6959.500	Swi	493	31:12:88
76	86	Degussa	6876.900	Ger	622	30:09:88
77	67	British Coal	6668.900	Uk	631	31:03:89
78	85	British Airways	6610.200	Uk	301	31:03:89
79	108	Ahold	6569.300	Net	493	01:01:89
80	66	Esso AG	6503.700	Ger	212	31:12:88
81	99	Haniel	6437.500	Ger	171	31:12:88
82	70	R epsol	6424.700	Spa	213	31:12:88
83	80	Gallaher	6398.900	Uk	171	31:12:88
84	82	Saab-Scania	6362.000	Swe	401	31:12:88
85	92	BSN Groupe	6282.400	Fra	451	31:12:88
86	81	Karstadt	6255.000	Ger	491	31:12:88
87	94	Solvay et Cie	6122.100	Bel	622	31:12:88
88	97	RTZ Corporation	6080.300	Uk	634	31:12:88
89	84	Post Office	6078.800	Uk	406	29:03:89
90	0	Schneider (Groupe)	6031.600	Fra	541	31:12:88
91	83	Neste	6024.030	Fin	214	31:12:88
92	0	IBM UK	6015.500	Uk	531	31:12:88
93	91	Deutsche Lufthansa	5987.200	Ger	301	31:12:88
94	93	Sandoz	5945.600	Swi	433	31:12:88
95	102	Kesko Oy	5909.100	Fin	495	31:12:88
96	78	Saatchi & Saatchi	5894.600	Uk	475	30:09:88
97	107	Olivetti	5863.200	Ita	534	31:12:88
98	105	Bass	5798.600	Uk	421	30:09:88
99	100	Co-op	5794.000	Ger	493	31:12:88
100	98	Preussag	5774.900	Ger	634	31:12:88



Klaus Luft: resigned when the board lost patience with losses

Nixdorf: down from 112 to **397**

Surrounded by speculation

NIXDORF Computer, the West German company that has slid sharply down the business rankings as a result of hefty losses, was once one of the country's brightest corporate stars.

Even up to the start of last year, its management was forecasting that sales would double every five years, and that profits would go from strength to strength.

Instead, the company, based in the small northern town of Paderborn, has fallen *flat* on its face. In 1988, it only managed to produce a tiny net *profit of DM26m ($14.6m)*, a 90 per cent slump from the DM260m of 1987, as a result of property sales. Before tax, its loss on normal operations was DM60m, compared with a profit of DM331m the year before.

For the last year or so, Nixdorf has been surrounded by speculation about its future. It has constantly denied that it was seeking to fall into the arms of a financially strong partner, though willing to set up technological links with other companies, as it shifted from being a manufacturer of its own computer hardware to being an integrator of varying systems based on common industry software standards.

Through *it* all, one man stayed at the helm. Mr Klaus Luft, 48, doggedly stuck it out through mounting criticism of the company's financial state, of its tardiness in releasing facts to shareholders and the press, and of his own management style. Until last month, that is.

Despite his almost inexhaustible supply of ebullient *self-confidence* – some former associates termed it arrogance – he handed in his resignation when it became clear that the supervisory board had become impatient with Nixdorf's continued losses, which totalled *DM168m in the third quarter of* this year and DM465m in the first nine months.

Many analysts and some former managers have concluded that Nixdorf can survive only with a stronger financial partner or owner

Mr Luft had been with the company for over 20 years. He had been picked by Mr Heinz Nixdorf – the founder of the group, who in 1986 died of a heart attack at the age of 60 – to succeed him.

For a time, all went well. Sales continued to soar, pulling profits along with them. But during 1988, signs of trouble became evident. World market conditions became tougher and more competitive, as memory-chip costs rose sharply and the selling prices of computer products fell.

Nixdorf streamlined its organisation and cut costs and staff numbers. Having hired heavily in 1987, it found its labour costs dramatically higher last year, though it is now *continuing to shed* employees. But while it was adjusting to the tougher market conditions – too half-heartedly, according to some internal critics – speculation over its future continued.

With the departure of Mr Luft – and his replacement (as board spokesman, not chief executive) by Mr Horst Nasko, aged 56 – the questions about the company's future ownership are being repeated with a new intensity.

Mr Nasko, the director responsible for telecommunications, has a far lower profile than Mr Luft, and his appointment is widely seen as a temporary solution only. Had Mr Luft brought in a tough strategist early on in the group's gathering crisis, and been more determined in reining back costs, say sources close to the company, its recovery might have been more advanced by now.

As it is, many analysts and some former managers have concluded that Nixdorf can survive only with a stronger *financial partner or owner.* Names like Siemens, the electronics concern, and Mannesmann, the engineering company with data processing interests (Kienzle), have been widely mentioned as potential *saviours. Deutsche Bank*, which brought Nixdorf to the stock market five years ago, is also keen to see it back on an even keel, preferably under German, rather than foreign, ownership.

Control of Nixdorf is currently in the hands of two foundations and the Nixdorf family, with outside shareholders in a non-voting minority. How long this structure can withstand the burden of heavy losses at a time of continuing market pressures remains to be seen. For Nixdorf-watchers, and shareholders, the coming months promise to be exciting, not to say tense.

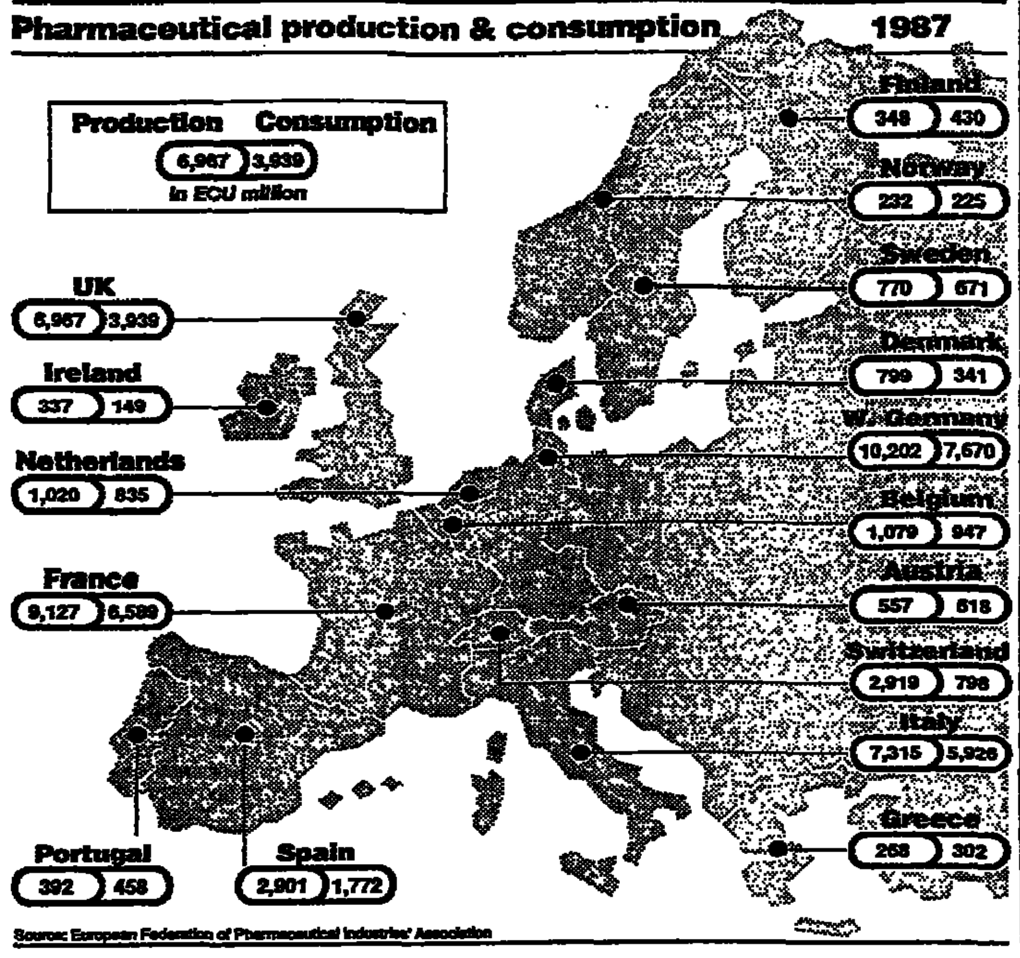
Andrew Fisher

A–Z LIST OF THE EUROPEAN TOP 500

Company	Rank
[illegible]	
Delhaize	252
Delta Group	447
Den Danske Bank	305
Deutsche Babcock	472
Deutsche Bank	16
Dixons Group	401
Dowty Group	385
Dragados y Construcciones	411
Dresdner Bank	59
Dumez	366
Dunhill Holdings	410
EBES	183
East Asiatic Company	461
Ecco	469
Electrocomponents	466
Electrolux	96
Electrowatt	265
Elf Aquitaine	26
Elkem	494
Elsevier	181
English China Clays	236
Enso-Gutzeit	349
[illegible]	
Gotagruppen	486
Granada Group	231
Grand Lace - Cometra	482
Grand Metropolitan	34
Great Portland Estates	383
Great Universal Stores	83
Greenall Whitley	462
Greycoat Group	473
Groupe Bruxelles Lambert	185
Groupe Victoire	160
Guardian Royal Exchange	148
Guinness	38
HEW	425
Hachette	306
Hafslund Nycomed	270
Hammerson Property	185
Hanson	14
Harrisons & Crosfield	257
Havas (Agence)	206
Hawker Siddeley Group	174
Hazlewood Foods	424
Heidelberger Zement	273
[illegible]	
Jaguar	354
Johnson Matthey	330
KLM	304
KNP	334
Kali-Chemie	430
Kansallis-Osake-Pankki	159
Karstadt	186
Kaufhof	186
Kesko Oy	258
Kingfisher	169
Kleinwort Benson Group	492
Kloeckner-Humboldt-Deutz Group	478
Koranna	268
Kredietbank	262
Kwik Save Group	312
Kymmene	182
L'Air Liquide	82
L'Oreal	102
LASMO	211
LVMH	32
Ladbroke Group	93
Lafarge Coppee	114
[illegible]	
Midi (Cie)	61
Midland Bank	86
Mooch Domajo	376
Montedison	109
Morgan Grenfell	471
Mount Charlotte Investments	384
Munchener Ruckversicherungs	47
NFC	284
National Westminster Bank	35
Nationale Nederlanden	84
Navigation Mixte	295
Nederlandsche Middenstandsbank	365
Nestle	6
Next	440
Nixdorf Computer	397
Nobel Industries	250
Nokia	255
Norcros	472
Nordstjernan	288
Norsk Hydro	63
Northern Foods	322
Novo-Nordisk	301
[illegible]	
Preussag	220
Printemps (Groupe)	450
Prudential Corporation	65
Queens Moat Houses	377
RAS	128
RMC Group	164
RTZ Corporation	37
RWE	58
Racal Electronics	75
Rank Organisation	105
Ranks Hovis McDougall	157
Ratners Group	426
Rauma-Repola	[illegible]
Reckitt & Colman	[illegible]
Redland	[illegible]
Redoute (La)	[illegible]
Reed International	[illegible]
Rentokil Group	[illegible]
Repsol	[illegible]
Reuters Holdings	[illegible]
Rheinelektra	[illegible]
Rinascente (La)	[illegible]
[illegible]	
Schindler	439
Schneider (Groupe)	276
Scottish & Newcastle Breweries	196
Sears	141
Securicor Group	389
Security Services	345
Sedgwick Group	229
Sefimeg	475
Sevillana de Electricidad	358
Siebe	239
Siemens	10
Simco	418
[illegible]	
Tesco Stores (Holdings)	71
Thomson-CSF	99
Thorn Emi	105
Thyssen	97
Toro (Assicurazioni)	335
Total	178
Tractebel	117
Trafalgar House	137
Trelleborg	242
Trusthouse Forte	90
U.E.I.	441
Ultramar	214
[illegible]	

PHARMACEUTICALS

Paranoiacs have reason to be wary



Source: European Federation of Pharmaceutical Industries' Association

ANYONE reviewing the basics of the world pharmaceuticals industry would form the distinct impression that western Europe was riding high.

Of the top eight companies in the sector, no fewer than six have their headquarters in Europe.

The continent is home to a good many medium-sized or small pharmaceutical companies with a good track record in innovation and a strong profits record. It has a number of the world's leading academic centres in medicines-related research and development.

Europe accounts for about a third of the world's drug market of some £70bn a year and – unlike many other sectors of European industry, in electronics for example – has a strong positive trade balance, compared with the two other large business blocs of Japan and North America.

Why is it, then, that executives from Europe's pharmaceutical businesses are often given to moods of deep pessimism when discussing the future?

Part of the reason is the strand of paranoia that runs through the industry. Managers in the sector, while proud of their achievements in developing products to improve people's health, often feel that the industry is misunderstood and that the world at large will not fail to miss an opportunity to put the business down or reduce its profitability.

Sentiments along these lines are likely to be expressed among many of the the top companies in Europe's pharmaceutical industry, which includes Glaxo of Britain, Hoechst and Bayer of West Germany, Switzerland's Ciba-Geigy and Sandoz, and the Anglo-American SmithKline Beecham (headquartered in London).

There are also other, more specific, reasons for the industry's concern about what may lie ahead:

■ The planned completion of the European Community market after 1992 holds out more uncertainties for the pharmaceuticals sector than for virtually any other business.

The industry is in a particularly tight position, because state-run health organisations are the biggest buyers for drugs in Europe and have a strong role in setting prices. The industry is especially worried that the completion of the market, by freeing up pharmaceutical trade across Europe, will have an effect in reducing overall price levels – which at present vary widely across the continent.

■ With spending on research and development at an all-time high and marketing costs also likely to rise, the industry faces a fierce squeeze on profits over the next few years. It argues that many of the extra costs are caused by external factors, which it cannot do much to influence. These include the increasingly rigorous, government-mandated safety trials for new drugs, which extend both the costs and times of development programmes.

■ The mainstream, research-based arm of the sector is faced with competition from the increasingly well-organised generics branch of the pharmaceuticals business. Companies in this field wait for the patents on branded drugs to run out, and then sell cheap copies of these medications, often eating into sales and profits of the mainstream pharmaceutical groups.

With patents on many of today's top-selling drugs due to expire over the next five years – and with it apparently becoming more difficult to find new top-selling products to replace them – the research-based groups are likely to find the generics companies an increasingly troublesome thorn in the flesh.

■ Biotechnology, a set of new research methods for drugs design based around manipulation of gene fragments, promises to increase the ability of scientists to conjure up new formulations to treat a number of human ailments. But in some countries – West Germany and Switzerland are the best examples – public fears about possible safety risks related to genetic engineering have slowed work in this field and may reduce the innovative powers of these nations' drug industries.

In West Germany, pharmaceutical executives hint darkly that, due to the expressions of public concern in that country about genetic engineering (which the industry sees as vastly overstated), Japan and the US may stride away with both the scientific honours and the commercial profits in this field.

Some observers feel that, especially bearing in mind the good profitability and research record of Europe's pharmaceutical majors, the industry may be tending to overstate its case when it continually hints of the supposedly bleak times that lie ahead.

A specific example concerns the battle by Europe's big drugs companies to persuade the European Commission to extend the 20-year patent life for medicines. The industry's view is that – due to the long development time for new drugs, which is commonly 10 years or more – the period of legal protection for products after they leave the laboratory is nowhere near enough to provide sufficient profits.

One idea in the industry would be to recast the patent term for medical products, so that this would take effect from the date of marketing rather than the date of invention. A patent life defined in this way of, say, 16 years would greatly boost the legal protection given to pharmaceuticals.

Many think, however, that a change in the patent rules of this sort, which is now under discussion at the European Commission, would tip the balance a little too far towards the industry, and is therefore unlikely to be sanctioned.

Peter Marsh

George Graham on the French insurance sector

Deals gather pace

FOR TWO years now, French insurers have shown clearly their eagerness to build up their international networks, with a series of acquisitions, especially in the UK, Belgium and Italy.

This year, however, has seen a marked acceleration of the trend, as both state and private-sector insurance companies have raced to meet the twin imperatives of size and internationalisation.

In the first six months, all three big state insurers announced deals in Italy: Union des Assurances de Paris (UAP) took control of Allsecures; Groupe des Assurances Nationales (GAN) exchanged equity stakes of around 10 per cent with SAI; and Assurances Générales de France (AGF) took half of MAA Assicurazioni. But these three state groups, for years the dominant force in the French insurance market, are now being challenged by the private sector.

The rapid and constant growth of the AXA-Midi group, headed by Mr Claude Bébéar, and the more sudden rise to prominence of Groupe Victoire with its acquisition of West Germany's second largest insurer, the Colonia/Nordstern group, have pushed AGF and GAN lower down the league tables. And if Mr Bébéar eventually succeeds in his ambitious plan to acquire Farmers of the US, he will conclusively push UAP out of the top slot.

The FFr12bn acquisition of Colonia/Nordstern, agreed in July by Victoire, was universally hailed in France as a major step forward: West Germany has always represented one of the most difficult bastions for foreign acquirers, and in the past some smaller German insurance companies have flatly refused to consider a French buyer on the grounds of mutual incompatibility.

The deal was immediately followed, however, by a FFr27.4bn takeover bid from Suez for Victoire and the holding company which controlled it. The bid may have been rather more the epilogue to a history of increasingly tangled shareholdings between Suez and Victoire than a straightforward battle to get hold of Victoire's insurance assets, in which Suez already had a sizeable interest. It reflected, nevertheless, something of the new value placed on insurance businesses in France.

Suez now plans to sell on 49 per cent of Victoire to other insurance companies; and the advanced state of its negotiations with UAP, which wants to buy at least a third, suggests that Suez may not have paid such a steep price as some analysts said at the time.

AXA-Midi's acquisition of Farmers remains much more conditional. Mr Bébéar has backed the bid by Sir James Goldsmith's Hoylake to break up the UK tobacco and financial services conglomerate BAT Industries; his offer of $4.5bn for Farmers, therefore, depends on Hoylake's success.

Generali and Allianz have been two of the most important goads *for France's insurers*

It reflects, however, Mr Bébéar's determination that his group must grow a lot more if it is to become big enough to look eye to eye to the giants of the US, and especially Japan. It is also a significant *departure from the preoccupation* of most other French insurers with the European market, although AXA-Midi has already developed a considerable network within the EC, most notably through Equity and Law in the UK and through a far-reaching, if still somewhat theoretical co-operation agreement with Generali, the leading Italian insurer.

In fact, Generali of Italy, together with its West German rival Allianz, have been two of the most important goads for France's insurers. It was Generali's acquisition of a menacing stake in Midi which led that company to throw itself into the arms of AXA. And Allianz, with its appetite for expansion and its extravagant cash resources, has been an ever-present threat.

This threat finally came true in October, when Allianz agreed to pay FFr6.5bn for 50 per cent of the insurance interests of Compagnie de Navigation Mixte, including the Via Assurances and Rhin et Moselle companies.

Just as Victoire's foray into West Germany triggered a takeover bid from Suez, so Allianz's venture into France prompted Paribas, Suez's principal rival in the French investment banking sector, to launch its own FFr25.6bn bid for Navigation Mixte. It is clear that Allianz's deal, valuing Mixte's insurance businesses at around 2x premium income – a substantially higher multiple than in other recent European acquisitions – helped to whet Paribas' appetites, even if the insurance sector is not Paribas' own primary interest.

This multiple, for what is far from being France's most profitable insurance business, has revived the doubts of those who feel that *size is being* given priority over profitability – a criticism that was already made at the time of Victoire's acquisition of Colonia.

"We estimate that Victoire paid over 189 times Colonia's 1988 consolidated earnings as reported and would face a payback period of close to 200 years unless it improves Colonia's profitability," comment Mr Michael Huttner, Mr Angus Runciman and Mr Niel Bisset, of BNP Securities, in a note on the deal.

They add that Colonia's complicated shareholding structure may mean Victoire has difficulty enforcing its control over the group.

In years to come, it may turn out that AGF and GAN were right to buy smaller companies and then grow. For the moment, however, the more aggressive approach is winning the debate.

EUROC LEAPS 159 PLACES

Timely return to core business


Sven Borelius, Euroc's managing director

THE LAST two years have seen a dramatic turnround for Euroc, the Swedish building materials group, whose ranking among the FT Top 500 has jumped from 433rd place to 274th.

The Malmo-based concern suffered from relatively low profitability, with a net margin of 4.2 per cent, in the mid-1980s as it wrestled with the results of a troublesome diversification programme in the midst of a sluggish construction market in Sweden.

But a decision by managing director Sven Borelius to return Euroc to its core business of building materials – primarily cement, concrete and plasterboard – while expanding its presence abroad has considerably improved the company's balance sheet.

It predicts that profits will rise to SKr1.05bn ($164.7m) this year on sales of SKr11.5bn, compared with earnings of SKr820m on sales of SKr9.5bn in 1988.

Euroc's restructuring programme entered full swing last year. Through Scancem, the 50-50 joint venture for foreign cement operations that it established in 1986 with Norway's Aker Norcem, Euroc bought Castle Cement, Britain's second largest cement producer, for SKr2.2bn.

The deal made Scancem Europe's fourth largest cement producer, after Holderbank in Switzerland, Blue Circle in the UK and La Farge Coppee in France.

Scancem's purchase of Castle Cement is part of a consolidation of the European cement industry as the EC internal market approaches and it gave *the Scandinavians a firm foothold* in the important UK market. Scancem, in its search for new acquisitions, may turn its attention next to the rapidly expanding construction market in the Iberian peninsula.

Scancem also acquired its first cement factory in the US last year, through its SKr500m purchase of Allentown Cement, in Pennsylvania. It also bought Vineland, a New Jersey-based concrete company, which is expected to be an important buyer of cement.

Although the pace of international acquisitions has slack*ened this year, Euroc has* strengthened its already dominant position in Sweden with its SKr1bn purchase of the concrete operations of Betongindustri, the country's biggest concrete producer, in November.

Euroc has been able to finance this buying spree by selling several businesses unrelated to the building materials sector. The sale of Dynapac, its formerly loss-making building equipment manufacturer, to Componenta, a Swedish heavy engineering group, in 1988, netted it SKr500m. It also sold for *SKr800m its stake in the Opus* investment company, which loosened its cross-ownership arrangement with Skanska, Sweden's biggest construction and property group.

While building materials accounted for 45 per cent of Euroc's turnover in 1983, their percentage of sales rose to two thirds in 1988 and they provided 80 per cent of the company's profits. The profitability of building materials reflects the construction boom gripping Sweden as it struggles to overcome a housing shortage in the country's main cities.

Euroc has also benefited from strong building demand in its other important markets, the UK, France, the Netherlands and the US.

The key question facing Euroc's future managing director Finn Johnson, a vice-president at the forestry concern Stora, who will succeed Mr Borelius next spring, is whether Euroc can maintain its profit growth in an industry where competition is strong and market conditions can change quickly.

Euroc hopes to weather any cyclical downturns in individual markets by establishing itself in enough countries to guarantee a consistently high use of production capacity. But although the company's cement operations have expanded abroad, its production of concrete and plasterboard are largely concentrated in Sweden, making sales of these *profitable products vulnerable* to a construction slowdown there. It is this business area that Euroc may next select for overseas growth. Euroc has also not neglected its other business activities, although they have grown less important in terms of sales and profits compared with building materials.

John Burton

As Repsol comes in at No 56, **Tom Burns** describes . . .

Spain's biggest flotation

REPSOL, the Spanish oil conglomerate that was partially privatised in May, has celebrated its market debut with a 32 per cent increase in net income, over the first nine months of this year.

This will allow it to pay an interim pre-tax dividend of Pta40 per share on December 21.

Net income stood at Pta51.1bn ($445.7m) at the end of the third quarter, against Pta38.7bn over the first nine months of 1988, year; and operating income rose by 22 per cent to Pta86bn.

Operating revenue was up by 28 per cent to Pta870bn – a rise acounted for, in part, by the additional revenues generated by Repsol's subsidiary, Petronor, which were for the first time added to the conglomerate's total – and net cash-flow increased by 21 per cent to Pta118bn.

Repsol, Spain's largest industrial group and a new entrant to the FT500 (in 56th place), put 26.4 per cent of its equity on the market on May 11, in the biggest flotation Spaniards had ever known. The opening share price of Pta1,700 on the Madrid Bolsa was rapidly pushed up on its debut day, to its legal ceiling of Pta2,040, as international investors and 350,000 private shareholders rushed to buy 17m shares. More than 2m shares were traded on Wall Street, where the opening-day price topped Pta2,060.

During the first nine months of this year, Repsol has invested Pta116bn to expand its operations; and a significant amount was routed to purchasing proven reserves and equity stakes in complementary companies. The conglomerate bought into chemical companies in Denmark and Italy, and also acquired the downstream assets of Carless, in the UK, after the latter had been taken over by Kelt energy.

Repsol spent Pta10bn to raise its equity in Petronor from 32 per cent to 54.3 per cent. Petronor, which is 34 per cent owned by Mexico's Pemex, has a plant near Bilboa, in northern Spain, with a refining capacity of 11m tones a year, and plans to open 400 service stations in the Basque country and in northern France over the next five years.

The Petronor equity purchase raised Repsol's stake in Campsa, the former monopoly distributor of petroleum in Spain, from 64 per cent to 70 per cent, and thereby consolidated the conglomerate's hold on the local market, in anticipation of total deregulation in three years time.

Repsol, which is also acquiring and building service stations, to create a network of 1,000 service stations under its own trademark, has earmarked Pta230bn towards improving its sales and marketing network between 1989 and 1992, and a further Pta100bn on distribution.

The sales, marketing and distribution allocations represent 47 per cent of Repsol's total Pta700bn investment plans to 1992, and indicate the determination of the Spanish company to ward off European competitors following deregulation, by maintaining its almost blanket dominance of the domestic market.

The strategy will be financed principally by Repsol's share capital, and will be include a Pta230bn allocation, or 32 per cent of total investment, for exploration and production.

Repsol, which has traditionally had downstream problems, currently has reserves in Colombia, Indonesia, Dubai, Gabon and Egypt, as well as small stakes in the North Sea. It plans to raise its own crude supply from a present 30 per cent to 40 per cent.

The UK equity market: Vanessa Houlder examines the list and finds that, in the case of the biggest rises . . .

Takeovers provide impetus

IT WAS a year to confound the theorists. After the index had drifted downward in the second half of 1988, most commentators said the London market was locked in a bear phase. But, out of the blue, the mood sharply reversed.

From the turn of the year to mid-February, prices leapt by some 20 per cent, after which they continued to hit new peaks for several months.

There were no fundamental changes to cause this rally. Prospects for the economy were still very uncertain, with numerous doubts that the Chancellor could orchestrate a soft landing.

However, the counter argument – that equity prices were cheap in historical terms and large amounts of cash were waiting to be put back into the market – also seemed forceful. The near-vertical rise in share prices was merely the result of a shift in perceptions.

In the scramble not to be left behind, the first few months of 1989 saw investors piling into all the major stocks. Sober analysis of the prospects of individual companies took second place to the need to find companies with sufficiently liquid markets to be able to buy sizeable holdings. Most of the companies large enough to be in the top 500 benefited from the rally, while smaller companies were left behind.

At other times, however, there was plenty of opportunity to mull over the differing prospects of sectors and companies. While few themes are apparent among those that moved up the rankings, the laggards tell a consistent story. The repeated advances in interest rates, from May last year, took a heavy toll on companies engaged in housing, retail and consumer services.

Among the top 10, there were several changes. British Petroleum changed places with British Telecom, to regain its position as the largest UK company. General Electric Company managed to reclaim its No 9 slot, having fallen to No 15 in 1988. Its bid for Plessey helped it shrug off last year's market concern about the dynamism of its business.

Another gainer was BAT Industries, which rose from 7th place to 5th place on takeover speculation, although Sir James Goldsmith's dramatic bid was not unleashed until July. Meanwhile, British Gas slipped from 4th to 8th place as it struggled with the warm winter, the Monopolies Commission and lower gas prices.

Going farther down the list, fundamental reappraisals of company fortunes rivalled takeovers as the main factor behind changes in positions. Reuters Holdings soared by 21 places to 24th slot after strong growth and ardent buying by US investors. British Aerospace also saw a sharp rise from 90th place to 63rd, thanks to a bumper crop of aircraft orders and the attention given to the valuable land assets it bought when it acquired Royal Ordnance and Rover.

The relatively minor shift in the position of Consolidated Gold Fields, which went up 7 to 26, resulted from the failure of the bid by Minorco. The successful bid by Hanson was made in July.

■ Macallan-Glenlivet comes in at 278
■ Next drops from 97 to 172

But the companies that, overall, enjoyed the largest move up the ratings were usually those that had been swelled by takeovers.

Wace Group tops the list of largest risers, having motored up 181 places to 315, after buying companies hand over fist in the highly fragmented market for pre-press services. Hard on its heels, with a rise of 152 places, was Tiphook which became the largest truck rental company in Europe through acquisition.

Similarly acquisitve companies are well represented in the list of additions to the FT top 500. In at 229 was Sema group, which merged with CAP, the software company. Close behind at 266 was Travis Perkins, which resulted from the merger of two building supplies companies. Small but frequent acquisitions also powered the advances made by companies like Blenheim Exhibitions Group, which moved in at 338; Misys Group, the computer company, at 375 and Parkway Group, the pre-press services company, at 401.

However, the list of new entrants was headed by a privatisation stock, British Steel, in 29th position. NFC, the transport, travel and property company that was owned by its employees prior to its flotation, was the second highest new entrant, in 109th place.

Re-ratings also played a part in the newcomers list. Perhaps the most remarkable was Macallan-Glenlivet, the malt whisky distiller which entered the UK Top 500 in 278th slot, thanks to the renaissance in the Scotch whisky industry caused by better marketing and the run-down of surplus stocks. Farther down the list, another remarkable newcomer was Capital Radio, which has ridden the wave of the forthcoming de-regulation and booming advertising revenues.

Inevitably takeovers set the tone of much of the list of departures – headed by Rowntree, which lost its position of 30th place after succumbing to a £2.5bn takeover bid from Nestlé of Switzerland.

Other prominent departures were Pleasurama, which was taken over by Mecca Leisure; Atlantic Computers, taken over by British & Commonwealth; Birmid Qualcast, which was acquired by Blue Circle; and Harris Queensway, which was taken over by a consortium headed by Sir James Gulliver, the former head of Argyll. Another notable departure was that of Magnet, the kitchen company which caused a stir by taking itself private.

The list of greatest falls shows clear evidence of the effect of high interest rates. As the property market stalled the severest battering was taken by Hambro Countrywide, the estate agent, which slid 183 places to rank at 430. Similar declines were registered by Regalian Properties, the property developer, McCarthy & Stone, the sheltered housing specialist and Berkeley Group, the property developer.

The other main victim of the clampdown on consumer credit was the stores sector. After a heady start to the decade when stores companies spent millions on design and marketing, falling consumer spending left them ill-prepared to cope.

Among the bigger players, Sears, the owner of Selfridges and several footwear chains, suffered badly, falling from 41 to 61. Storehouse, the retailing group that includes Habitat and BHS, came particularly badly unstuck and fell 51 places to 138. Slack demand also hit N Brown, the mail order company, which also suffered from the postal strike; Etam, the fashion retailer; Pentos, the books, posters and office furniture group; Dixons, the electronics retailer; and Coloroll, the home furnishings company.

Perhaps the most dramatic fall was that of Next, the fashion retailer – from 97 to 172. Its trading problems were highlighted by the dramatic way in which its creator, George Davies, was ousted in a boardroom coup.

In many of these cases, the downturn in consumer spending merely exposed the cracks in the companies' ambitious acquisition programmes. So it is perhaps not surprising that the casualties included some companies that were, in previous years, the brightest stars.

TV services star twinkles

Carlton leaps 51 places

CARLTON Communications, one of Europe's largest television services and production companies, is among the rising stars of this year's FT Top 500 – up from 323 to 203 in the European list, and from 141 to 90 in the UK.

"It has been a significant year for Carlton Communications, particularly in Europe," says Mr Michael Green, the chairman, who has no taste for entertainment industry hyperbole. In 1968, with his brother David, he founded a small printing company. After transformations and takeovers, it is capitalised at around £1.7bn.

The rapid growth of Carlton, in the year to June, has two obvious causes: two large takeovers, which extended the range of the company without taking it away from the area it knows best, television services of every kind.

Mr Green's first surprising move came in September 1988, when Carlton paid $780m for Technicolor, the US film processing and video-tape duplicating company, in Carlton's largest takeover deal so far.

Although, at the time, rivals said Carlton had paid "top dollar", Mr Green's judgment, that the pre-recorded video cassette market was about to undergo explosive growth, appears to have been vindicated. Sales of cassettes of just two recent films – Batman and Who Killed Roger Rabbit? – are expected to total more than 30m.

Although many expected a period of consolidation at Carlton, while Technicolor was absorbed, Michael Green, who is still only 41, moved again and, in May, took over UEI, the digital processing and engineering company, in an agreed deal worth £490m.

It was, on the face of it, a strange decision, for, with the acquisition of the high-technology company, came divisions specialising in scientific instruments and high-performance car engines.

What Michael Green was after was UEI's skills in the digital manipulation of pictures, including text and graphics. The bits of UEI he doesn't want will be sold off, to reduce the purchase price – Link Scientific Group has already been sold to Oxford Instruments in a deal worth more than £50m; and Cosworth, the car engine specialists, is expected to be sold before long.

Just as Technicolor gave Carlton a more telling presence in the US market, so UEI, with

Continued on page 7

THE TOP 500 UK COMPANIES BY MARKET CAPITALISATION

Ranking 1989	1988	company	Market Capital £m	Sector	Rank	Turnover This year £m	Turnover Last year £m	Per cent change	Profit This year £m	Profit Last year £m	Per cent change	ROCE	Employees	Year end
1	2	British Petroleum	15747.0	212	1	28922.0	28326.0	-8.5	2077.0	2387.0	-13.0	14.5	125950	*31:12:88
2	1	British Telecom	15120.0	223	4	11071.0	10185.0	8.7	2437.0	2292.0	6.3	24.4	242723	31:03:89
3	3	Shell Transport & Trading	13757.0	212	0	N/R	N/R	0.0	0.0	0.0	0.0	0.0	0	*31:12:88
4	6	Glaxo Holdings	10112.0	433	62	2069.0	1741.0	18.3	832.0	746.0	11.5	46.4	28423	30:06:88
5	7	BAT Industries	8877.3	171	2	14575.0	14739.0	-1.1	1841.0	1394.0	17.7	29.4	310779	31:12:88
6	5	Imperial Chemical Industries	8850.5	622	3	11699.0	11123.0	5.2	1470.0	1312.0	12.0	27.6	130400	31:12:88
7	8	Hanson	8347.0	171	6	7396.0	6682.0	10.7	880.0	741.0	18.8	24.7	105000	30:09:88
8	4	British Gas	7947.2	222	5	7526.0	7364.0	2.2	1335.0	1255.0	6.2	19.5	81832	31:03:89
9	15	General Electr ic	6808.5	541	9	5878.0	5553.0	5.9	796.7	708.0	12.5	23.3	145029	31:03:89
10	9	BTR	6681.0	591	12	5472.7	4149.2	31.9	819.6	590.3	38.8	42.8	98620	31:12:88
11	16	Cable & Wireless	5217.2	223	73	1534.1	1244.1	23.3	420.5	356.1	18.1	29.2	29416	*31:03:89
12	10	Marks and Spencer	5139.7	491	13	5121.6	4577.6	11.9	529.0	501.7	5.4	22.5	76313	31:03:89
13	11	Barclays	4976.1	112	0	N/R	N/R	0.0	1391.0	368.0	277.0	<39.6	118410	31:12:88
14	18	Beecham Group	4724.4	433	42	2480.2	2769.5	-10.4	408.5	352.3	15.4	31.6	35800	31:03.88
15	14	Grand Metropolitan	4701.1	421	8	6029.8	5705.5	5.7	575.1	456.1	26.1	20.8	89753	30:09:88
16	17	Unilever	4584.3	451	7	6384.0	5428.0	17.6	540.0	460.0	17.4	24.7	155	31:12:88
17	13	National Westminster Bank	4492.8	112	0	N/R	N/R	0.0	1407.0	704.0	99.9	<33.2	94618	31:12:88
18	20	RTZ Corporation	4420.6	634	20	3915.7	3397.1	15.3	879.0	594.3	47.9	32.1	84149	31:12:88
19	24	Guinness	4393.8	421	30	2778.0	2818.0	-1.5	521.0	408.0	27.7	27.3	19759	*31:12:88
20	12	Wellcome	3708.3	433	89	1250.5	1132.4	10.4	221.2	169.1	30.8	26.9	20236	27:08:88
21	19	Sainsbury J	3852.3	493	10	5659.0	4791.5	18.1	375.1	308.4	21.6	29.8	88283	18.03:89
22	25	Bass	3450.3	421	22	3734.3	3213.4	16.2	448.6	365.0	22.9	17.5	84843	30:09:88
23	21	Allied-Lyons	3354.0	421	17	4504.0	4236.0	6.3	502.0	436.0	15.1	19.5	61440	04:03:89
24	45	Reuters Holdings	3369.0	474	109	1003.3	866.9	15.7	215.4	178.8	20.5	80.8	9940	31:12:88
25	22	Prudential Corporation	3148.8	141	0	N/R	N/R	0.0	339.6	242.4	40.1	0.0	30625	31.12:88
26	33	Consolidated Gold Fields	3109.8	631	111	990.0	864.5	14.5	302.4	244.4	23.7	27.5	14029	30:06:88
27	23	Land Securities	2949.2	161	0	N/R	N/R	0.0	149.2	133.5	11.7	5.5	458	31:03.89
28	31	Tesco Stores (Holding s)	2786.3	493	14	4717.7	4119.1	14.5	276.0	225.6	22.3	28.0	75658	*25:02:89
29	0	British Steel	2755.0	633	15	4623.0	3813.0	21.2	593.0	419.0	41.5	16.0	55200	*01:04:89
30	35	Racal Electronics	2749.9	551	71	1599.4	1368.8	16.3	177.9	138.0	28.9	23.9	33702	31:03.89
31	27	Lloyds Bank	2741.8	112	0	N/R	N/R	0.0	982.0	-248.0	483.9	<39.8	83832	31:12:88
32	65	Whitbread	2729.3	421	59	1845.3	1688.7	9.3	223.3	187.2	19.3	16.3	54192	25:02:89
33	36	Boots	2668.3	492	34	2704.4	2589.8	4.4	306.7	257.6	19.1	29.2	69967	*31:03:89
34	63	Enterprise Oil	2639.0	213	259	192.1	227.9	-15.7	67.5	72.5	-6.9	12.4	234	31:12:88
35	26	Great Universal Stores	2611.6	495	40	2511.8	2368.1	6.2	384.0	345.0	11.3	18.2	33834	31:03:88
36	29	Midland Bank	2582.8	112	0	N/R	N/R	0.0	693.0	-505.0	237.2	<34.3	59093	31:12:88
37	32	P & O Steam Navigation	2553.7	303	25	3376.4	2920.2	15.6	316.6	274.7	15.3	16.9	55662	31:12:88
38	37	Trusthouse Forte	2469.5	464	53	2044.0	1776.0	15.0	232.0	180.0	28.9	11.2	79800	31:10:88
39	42	Ladb roke Group	2411.3	461	29	2848.0	2135.4	33.4	252.3	160.2	57.5	18.4	46070	31:12:88
40	28	Cadbury Schweppes	2361.6	451	44	2381.8	2031.0	17.3	215.7	175.1	22.5	33.8	12126	31:12:88
41	34	Reed International	2296.3	662	72	1564.5	2010.5	-22.7	271.2	242.8	11.7	38.5	22100	31:03:89
42	38	BOC Group	2290.0	622	48	2118.5	1959.1	8.2	301.5	263.2	14.6	22.2	y 38913	30:09:88
43	49	Tarmac	2247.9	613	31	2754.1	2163.1	27.3	393.1	265.4	48.1	37.1	28928	31:12:88
44	40	Sun Alliance & London Insur.	2179.5	151	0	N/R	N/R	0.0	372.4	171.6	117.1	0.0	13635	31:12:88
45	43	Thorn Emi	2156.7	461	26	3290.6	3054.0	7.7	289.1	225.3	28.3	23.5	65444	31:03:89
46	53	Rank Organisation	2139.9	461	124	824.1	668.4	23.3	255.1	208.3	22.5	30.9	21365	31:10:88
47	[illegible]	Gateway Corporation	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48	[illegible]	Asda Group	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49	[illegible]	BET	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
50	[illegible]	STC	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51	[illegible]	General Accident	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
52	[illegible]	Plessey	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
53	[illegible]	Argyll Group	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
54	[illegible]	Pearson	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
55	[illegible]	Royal Insurance	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
56	[illegible]	Eurotunnel	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
57	[illegible]	MEPC	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
58	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59	[illegible]	Lloyds Abbey Life	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
60	[illegible]	Trafalgar House	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61	[illegible]	Sears	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62	[illegible]	Rothmans International	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
63	[illegible]	British Aerospace	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
64	[illegible]	BAA	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65	[illegible]	Pilkington Brothers	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66	[illegible]	Guardian Royal Exchange	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67	[illegible]	Reckitt & Colman	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68	[illegible]	Associated British Foods	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69	[illegible]	Redland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70	[illegible]	Commercial Union	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71	[illegible]	Ranks Hovis McDougall	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
72	[illegible]	United Biscuits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
73	[illegible]	Lonrho	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
74	[illegible]	TSB Group	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
75	[illegible]	Rolls-Royce	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
76	[illegible]	RMC Group	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
77	[illegible]	British Airways	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
78	[illegible]	Legal & General Group	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
79	[illegible]	Hillsdown Holdings	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
80	[illegible]	Hawker Siddeley Group	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81	[illegible]	Courtaulds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
82	[illegible]	Blue Circle Industries	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
83	[illegible]	Hammerson Property	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
84	[illegible]	Kingfisher	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
85	[illegible]	BICC	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
86	[illegible]	Smith & Nephew	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
87	[illegible]	Burton Group	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
88	[illegible]	Scottish & Newcastle Breweries	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
89	[illegible]	Cookson Group	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
90	141	Carlton Communications	1186.6	463	236	217.4	112.3	93.7	48.1	33.7	45.8	30.4	1580	30:09:88
91	106	Standard Chartered	1179.6	112	0	N/R	N/R	0.0	313.8	-292.4	225.1	<60.6	5079	*31:12:88
92	116	LASMO	1142.4	213	285	149.2	172.0	-13.3	16.8	38.0	-56.1	6.4	403	*31:12:88
93	103	Ultramar	1134.6	213	97	1077.2	1059.5	1.7	110.8	106.0	4.5	11.7	3396	31:12:88
94	88	Royal Bank of Scotland	1129.4	112	0	N/R	N/R	0.0	309.2	197.2	56.8	<30.1	23174	30:09:88
95	94	Burmah Oil	1092.8	214	81	1363.9	1257.6	8.6	146.2	136.5	7.1	30.3	10919	*31:12:88
96	96	Lucas Industries	1066.9	571	61	1833.1	1670.6	9.7	146.3	114.5	27.8	20.4	59047	31:07:88
97	85	Maxwell Communications Corp.	1040.7	472	77	1390.5	884.1	0.0	192.0	168.0	0.0	28.7	20375	*31:03:89
98	108	Sedgwick Group	1026.2	142	0	N/R	N/R	0.0	77.9	101.1	-22.9	24.4	13721	31:12:88
99	100	Granada Group	1024.1	461	74	1467.9	1020.7	43.9	143.2	111.1	28.9	23.0	27977	01:10:88
100	128	Taylor Woodrow	996.4	613	92	1205.5	861.7	39.9	103.3	73.1	41.3	16.3	8954	31:12:88
101	93	English China Clays	984.1	671	119	938.9	762.5	22.9	146.4	112.1	29.7	25.9	13397	30:09:88
102	111	GKN	983.9	571	64	1987.4	1900.6	4.6	177.6	146.5	21.2	22.9	37122	31:12:88
103	121	Siebe	977.0	591	97	1215.0	1058.7	15.0	192.6	117.7	29.8	26.1	30546	01:04:89
104	82	BPB Industries	961.3	611	116	960.8	869.7	10.5	202.3	182.3	11.0	37.9	11903	31:03:89
105	109	Inchcape	911.8	171	48	2451.8	2038.6	20.3	147.7	116.2	27.1	31.9	46247	31:12:88
106	105	Slough Estates	896.5	161	0	N/R	N/R	0.0	75.1	61.8	21.5	8.6	476	31:12:88
107	102	Harrison s & Crosfield	894.3	512	68	1720.0	1532.0	12.3	123.8	90.1	36.8	24.6	27254	31:12:88
108	115	Smiths Industries	886.4	566	133	686.4	430.0	56.0	97.2	65.7	47.9	41.6	13953	31:07:88
109	0	NFC	869.2	302	88	1256.1	911.4	37.7	67.1	47.4	41.6	30.2	30510	*01:10:88
110	132	Tate & Lyle	862.6	451	60	2088.3	1700.6	22.8	120.1	92.0	30.5	28.1	17000	*01:10:88
111	112	Unigate	853.1	451	47	2355.4	2165.0	8.8	100.5	94.0	6.9	25.4	38195	31:03:89
112	69	Coats Viyella	823.5	412	58	1854.8	1794.8	3.3	136.2	212.6	-36.5	17.4	67420	31:12:88
113	104	United Newspapers	811.1	475	129	753.8	716.6	5.2	107.7	95.6	12.7	69.5	14026	31:12:88
114	101	Pearl Group	806.4	141	0	N/R	N/R	0.0	60.7	44.6	36.2	0.0	8795	31:12:88
115	118	British Land	797.2	161	0	N/R	N/R	0.0	69.7	56.4	23.6	8.6	244	31:03:89
116	117	Dalgety	781.7	451	18	4503.0	5003.0	-10.0	99.6	92.6	7.7	21.7	22620	30:06:88
117	144	Booker	769.5	591	80	1839.0	1263.6	45.5	78.7	64.3	22.4	43.4	17166	31:12:88
118	99	Williams Holdings	766.6	591	123	825.7	482.7	0.0	116.1	57.2	0.0	65.7	13481	*31:12:88
119	140	FKI Babcock	745.2	593	86	1303.4	904.1	44.2	107.9	48.6	122.1	28.9	30768	31:03:89
120	148	Kwik Save Group	733.7	493	120	931.6	826.1	12.6	55.2	46.6	18.4	39.0	8423	27:08:88
121	129	IMI	723.1	671	121	902.5	860.6	4.8	108.1	92.3	17.1	14.5	20444	31:12:88
122	122	Berisford International	719.1	451	37	2545.0	3065.1	-13.4	101.6	87.5	16.1	17.0	9106	*30:09:88
123	123	Wimpey (George)	713.7	613	67	1694.0	1442.0	17.5	144.6	95.8	50.8	21.5	17200	31:12:88
124	119	Bank of Scotland	710.5	112	0	N/R	N/R	0.0	178.5	131.3	35.9	<33.0	14333	28:02:89
125	125	Northern Foods	709.5	451	101	1041.3	1019.2	2.2	85.3	77.3	10.3	20.1	21864	31:03:89
126	134	Johnson Matthey	696.2	641	78	1431.2	1243.3	15.1	64.4	60.6	6.3	21.6	6986	31:03:89
127	110	Blue Arrow	687.9	481	78	1368.3	406.7	0.0	75.1	29.1	0.0	60.1	7076	*31:10:88
128	142	Polly Peck International	680.1	406	115	967.1	380.6	0.0	144.1	86.2	0.0	40.0	13631	*31:12:88
129	127	Calor Group	668.5	214	201	299.1	313.4	-4.6	60.1	64.4	-6.7	20.4	3698	*31:03:89
130	176	Steetley	661.7	611	161	524.7	486.6	7.8	87.4	60.3	45.1	32.8	7386	31:12:88
131	205	Security Services	649.7	408	182	381.7	334.0	14.1	21.8	16.1	35.5	27.6	37602	30:09:88
132	136	TI Group	646.6	566	117	968.9	856.9	12.0	85.4	62.3	37.1	39.4	20700	31:12:88
133	0	MB Group	644.0	171	79	1388.0	1239.3	12.0	122.9	94.1	30.6	24.8	0	*31:03:89
134	157	Avis Europe	636.6	308	140	823.3	486.6	28.1	72.0	54.6	31.9	32.6	6306	28:02:89
135	130	Ferranti International Signal	634.6	551	99	1053.7	822.1	28.2	53.8	66.0	-17.9	15.6	24647	31:03:89
136	151	Jaguar	631.2	401	98	1075.5	1002.1	7.3	47.5	97.0	-51.0	14.7	12695	31:12:88
137	178	Rentokil Group	622.2	622	240	213.4	174.0	22.7	50.1	37.6	33.4	65.5	9771	31:12:88
138	87	Storehouse	620.6	491	90	1221.2	1170.6	4.3	11.3	114.9	-90.2	5.3	32208	*01:04:89
139	143	Smith (W.H.) Group	619.1	495	56	1940.5	1662.0	16.8	89.7	70.4	27.4	27.5	34530	*03:06:89
140	145	Great Portland Estates	618.3	161	0	N/R	N/R	0.0	29.4	24.7	18.7	5.6	4	31:03:89
141	124	Sun Life Assurance Society	602.5	141	0	N/R	N/R	0.0	23.2	20.9	11.0	0.0	2964	*31:12:88
142	211	Daily Mail & General Trust	596.1	121	0	N/R	N/R	0.0	21.6	31.6	-31.6	3.9	13	30:09:88
143	135	Laporte Industries	596.6	622	187	357.6	298.5	19.8	96.3	75.2	28.7	37.1	4600	*01:01:89
144	183	Queens Moat Houses	594.1	464	226	234.4	158.5	48.8	42.2	24.8	70.3	7.3	10915	31:12:88
145	147	Glynwed International	592.1	568	122	859.6	558.2	51.0	82.5	60.4	36.6	48.9	12472	*31:12:88
146	134	Warburg S.G. Group	591.1	121	0	N/R	N/R	0.0	111.5	111.1	0.4<	21.3	2800	31:03:89
147	139	Wolseley	586.4	611	87	1279.9	977.0	31.0	97.6	75.2	29.8	35.2	13339	31:07:88
148	180	Charter Consolidated	584.4	611	186	464.4	486.0	-4.4	67.7	55.2	22.7	15.6	11361	31:03:89
149	167	Mount Charlotte Investments	583.3	464	309	123.7	93.4	32.5	41.4	29.0	42.6	13.5	5296	01:01:89
150	165	Dowty Group	582.8	566	132	894.1	824.8	9.5	79.1	64.1	23.4	23.3	13710	31:03:89
151	181	Rugby Group	580.5	611	162	516.5	401.9	28.5	72.6	58.9	23.3	28.2	5978	31:12:88
152	159	Bowater Industries	577.6	651	80	1386.3	1148.2	20.7	76.7	54.5	40.7	19.4	20300	31:12:88
153	164	T & N	575.9	591	100	1048.8	961.0	9.1	91.3	77.3	18.1	37.9	40173	31:12:88
154	139	Costain Group	558.6	613	103	1025.9	839.6	22.2	89.2	66.2	34.7	18.4	12180	31:12:88
155	133	Willis Faber	559.9	142	0	N/R	N/R	0.0	54.4	60.9	-10.6	23.2	5310	31:12:88
156	146	Roths child J. Holdings	536.9	121	0	N/R	N/R	0.0	134.0	110.8	20.9	18.1	84	31:03:89
157	232	Securicor Group	555.1	408	172	446.5	381.9	16.9	27.3	20.0	36.4	25.5	36365	30:09:88
158	107	British & Commonwealth Hldgs	554.4	303	113	965.6	919.7	8.3	122.8	130.9	-6.2	12.9	17666	31:12:88
159	120	Dixons Group	532.0	495	63	1754.9	1679.5	4.5	76.4	103.1	-24.0	20.3	18474	30:04:89
160	131	Bunzl	538.6	662	64	1745.9	1471.6	18.6	93.3	85.7	8.9	24.3	18195	31:12:88
161	171	Vickers	531.5	568	127	776.3	786.3	-1.5	69.8	62.6	11.5	23.5	10641	31:12:88
162	190	Dunhill Holdings	529.2	408	258	194.4	164.8	18.0	46.5	36.2	29.3	40.7	1759	31:03:89
163	162	Associated British Ports	522.6	303	242	211.6	196.7	7.7	46.5	38.1	22.1	19.1	6478	31:12:88
164	161	Hepworth Ceramic Holdings	521.0	611	149	576.8	415.4	38.9	86.5	60.2	43.3	34.2	10633	31:12:88
165	174	Hazlewood Foods	506.6	451	170	453.7	361.4	25.5	48.5	35.5	37.4	38.0	7168	31:05:89
166	173	Ratners Group	505.9	496	138	636.2	360.2	76.3	86.0	52.7	63.1	37.2	14834	28:01:89
167	183	DRG	502.8	662	128	772.5	726.4	6.3	38.2	50.2	15.9	23.3	12979	31:12:88
168	135	Saatchi & Saatchi	492.1	475	21	3796.1	3954.2	-4.0	138.0	124.1	11.2	81.2	18614	30:09:88
169	260	Mecca Leisure	491.6	461	211	268.3	128.7	0.0	30.3	14.9	0.0	44.1	12265	*31:12:88
170	150	Savoy Hotel	489.3	464	350	73.1	74.1	1.4	12.6	14.3	-12.4	19.9	2779	31:12:88
171	149	Beazer C.H. Holdings	489.2	613	89	1343.3	1033.0	30.0	114.7	72.5	58.5	21.7	19855	30:06:88
172	97	Next	484.7	496	95	1135.9	862.1	31.8	70.1	82.4	-24.1	37.0	20066	31:01:89
173	233	U.E.I.	483.0	551	277	163.0	141.9	14.8	31.1	25.1	23.9	48.3	2311	31:01:89
174	166	Delta Group	481.2	568	135	655.7	532.3	23.2	74.1	64.2	15.4	28.8	13526	31:12:88
175	203	Coalite Grou p	481.0	622	134	666.2	615.6	8.2	48.6	45.5	6.8	30.5	8730	31:03:89
176	80	Amstrad	442.9	551	139	625.4	511.6	22.2	160.4	136.7	18.2	8.4	1424	30:06:89
177	255	Clyde Petroleum	436.0	213	363	40.3	36.8	9.5	3.7	7.5	-50.4	8.4	71	31:12:88
178	210	Greenall Whitley	431.7	421	168	456.0	429.4	6.0	47.1	39.2	20.1	13.8	15280	*30:09:88
179	169	Electrocomponents	429.1	551	183	380.9	310.9	22.6	52.7	46.7	12.8	33.9	3771	31:03:89
180	160	Morgan Grenfell	417.0	121	0	N/R	N/R	0.0	33.8	60.1	-43.8	[illegible]	2400	31:12:88
181	155	Norcros	414.6	692	145	694.0	692.3	-12.9	68.9	65.3	2.5	6.9	11677	31:03:89
182	192	Greycoat Group	411.4	161	0	N/R	N/R	0.0	21.7	17.1	27.3	4.5	65	31:03:89
183	196	APV	408.3	563	125	806.7	703.6	14.7	51.5	40.7	26.5	27.9	14301	31:12:88
184	158	Salvesen (Christian)	407.0	302	198	312.0	250.1	24.7	52.4	46.6	12.5	23.6	9810	*31:03:89
185	157	De La Rue	406.0	472	159	528.6	483.7	9.3	28.3	62.4	-57.9	12.7	12421	31:03:89
186	187	Fisher (Albert)	398.5	451	157	536.1	247.8	116.5	33.4	18.6	80.3	35.7	3769	31:08:88
187	179	Marley	394.5	611	143	600.3	572.0	5.0	70.2	38.4	38.8	28.0	10681	*31:12:88
188	199	Allied Colloids Group	393.2	622	287	182.3	163.9	11.2	38.2	36.4	2.2	37.8	2690	01:04:89
189	200	BBA Group	393.1	571	107	1011.9	672.6	50.4	64.1	41.2	55.6	27.9	22786	31:12:88
190	153	Rosehaugh	392.1	161	0	N/R	N/R	0.0	30.4	15.1	100.9	9.1	216	30:06:88
191	152	Kleinwort Benson Group	390.6	121	0	N/R	N/R	0.0	17.7	61.6	-66.6	<9.8	3061	*31:12:88
192	206	Ocean Transport & Trading	389.9	303	108	1007.5	950.0	6.1	38.5	41.2	-6.6	18.3	9092	31:12:88
193	242	Premier Consolidated Oilfields	385.9	213	393	21.4	26.3	-18.6	8.6	14.3	-40.3	8.6	122	31:03:89
194	194	Ward White Group	384.8	492	130	734.6	735.0	-2.7	76.6	66.5	16.9	32.8	17738	31:01:89
195	184	Meyer International	380.1	611	118	956.4	712.5	34.2	87.2	63.1	38.2	34.9	11782	31:03:89
196	170	Yale and Valor	377.9	591	189	348.1	296.8	18.0	49.3	34.5	42.9	44.9	6666	31:03:89
197	202	Transport Development Group	373.4	302	141	613.8	548.6	11.9	47.1	43.6	8.0	21.1	13777	31:12:88
198	298	Christies International	363.1	495	313	120.3	96.7	24.5	42.5	32.5	30.7	99.9	1341	31:12:88
199	186	Caledonia Investments	360.1	131	0	N/R	N/R	0.0	25.6	22.4	14.1	5.2	229	31:03:89
200	220	Vaux Group	353.2	421	255	196.5	181.7	8.1	26.2	21.6	21.3	13.6	7110	*01:10:88
201	177	Mountleigh Group	347.1	161	0	N/R	N/R	0.0	91.2	70.7	29.0	12.1	233	30:04:89
202	212	Morgan Crucible	345.0	591	169	464.0	334.5	35.7	43.9	31.1	41.2	26.8	10640	*01:01:89
203	208	Mowlem (John)	339.7	613	110	991.0	793.0	25.0	59.5	50.2	18.5	28.1	15938	31:12:88
204	228	Schroders	336.3	121	0	N/R	N/R	0.0	30.1	27.1	10.9	0.0	1249	31:12:88
205	214	Tootal Group	336.1	412	163	481.6	603.8	-2.4	42.3	40.3	5.0	23.1	16042	31:01:89
206	188	Dawson International	333.0	411	158	351.9	355.3	-1.0	43.1	47.0	-8.4	21.4	10641	31:03:89
207	238	Bowthorpe Holdings	331.7	551	285	194.6	162.6	13.5	40.1	32.5	23.2	35.1	5849	31:12:88
208	226	Brixton Estate	330.5	161	0	N/R	N/R	0.0	16.2	13.2	22.4	7.2	108	31:12:88
209	172	Coloroll	328.0	591	151	565.1	257.6	119.3	55.8	26.1	112.9	83.4	10185	31:03:89
210	175	Hambros	327.6	121	0	N/R	N/R	0.0	70.2	69.4	1.1	<33.1	7927	*31:03:89
211	189	Lex Service Group	325.4	571	82	1832.2	1439.9	27.2	70.4	47.0	49.8	33.8	6630	31:12:88
212	198	First National Finance	323.1	122	0	N/R	N/R	0.0	68.7	53.1	29.4	16.7	1065	31:10:88
213	209	EMAP	313.2	473	227	232.7	187.9	23.9	33.6	25.0	34.0	167.7	4532	01:04:89
214	207	London and Manchester Group	313.8	141	0	N/R	N/R	0.0	14.6	12.1	20.6	0.0	2460	*31:12:88
215	201	Barratt Developments	311.8	614	156	529.5	432.5	22.4	61.5	39.2	56.9	23.6	3000	30:06:88
216	213	MAI	311.4	122	0	N/R	N/R	0.0	48.3	52.6	-8.3	38.0	4057	30:06:88
217	263	Northern Engineering Indus	310.6	541	131	723.7	804.6	-10.1	38.5	32.2	19.6	23.4	21871	31:12:88
218	195	London International Group	308.4	431	199	307.9	302.7	1.7	33.7	31.5	7.0	26.2	8424	31:03:89
219	221	Amec	307.4	613	64	1309.9	793.5	65.1	61.6	34.5	78.6	49.3	19446	31:12:88
220	227	British Vita	305.7	622	171	452.7	271.3	66.8	37.5	28.3	32.6	30.7	10687	31:12:88
221	231	Body Shop International	304.2	495	368	56.4	34.8	58.1	11.2	7.2	55.5	+40.3	611	*28:02:89
222	215	Tomkins F.H.	300.9	671	155	550.4	312.3	76.2	65.1	47.1	38.2	41.9	9697	30:04:89
223	185	Pentland Industries	298.5	171	136	650.4	487.4	33.4	58.7	68.0	-13.5	55.6	1494	31:12:88
224	239	Morrison William Supermarkets	297.4	493	142	603.7	482.1	25.2	32.2	25.7	25.0	26.2	10509	28:01:89
225	217	Laing Properties	294.9	161	0	N/R	N/R	0.0	23.6	20.3	16.2	10.6	766	31:12:88
226	218	Laing (John)	288.8	613	82	1344.5	1063.8	26.4	68.1	48.7	40.0	39.2	12600	31:12:88
227	223	Wolverhampton & Dudley Brews	287.4	421	288	141.4	123.6	14.4	26.7	22.3	19.4	13.6	6358	*02:10:88
228	374	Iceland Frozen Foods Hldgs	285.5	493	250	205.2	154.5	32.8	9.0	7.2	25.4	27.9	3257	31:12:88
229		Sema Group	283.4	551	212	288.9	244.3	9.3	12.9	15.4	-15.8	+39.5	8302	*31:12:88
230	313	Attwoods	281.8	408	340	91.8	73.3	25.0	14.7	11.8	24.1	41.4	1469	31:07:88
231	279	First Leisure Corporation	281.1	461	344	81.1	66.3	22.3	20.2	16.1	25.6	22.4	4269	31:10:88
232	254	Scapa Group	280.6	591	218	284.8	242.1	5.2	39.2	35.8	9.8	25.4	8646	31:03:89
233	265	Foseco	276.5	621	180	526.6	515.1	2.2	43.1	35.2	22.4	32.6	10030	*31:12:88
234	248	Fitch Lovell	274.7	451	168	557.5	538.7	3.5	32.0	27.6	15.3	34.2	9863	*29:04:89
235	228	Stakis	270.4	461	307	124.2	114.5	8.5	24.5	19.1	28.0	8.8	6173	02:10:88
236	244	Britannic Assurance	269.4	141	0	N/R	N/R	0.0	12.4	10.3	20.4	0.0	4622	*31:12:88
237	197	Ibstock Johnsen	269.1	611	185	367.7	145.4	152.9	68.3	35.9	57.0	31.4	4626	31:12:88
238	272	Tozer, Kemsley & Millbourn	267.8	572	112	984.6	890.0	10.6	44.1	32.3	36.4	27.4	7292	31:12:88
239	284	Evered Holdings	265.6	611	215	263.2	231.3	13.8	30.0	25.5	17.8	18.6	4917	*31:12:88
240	332	Highland Distillers	262.7	422	311	122.0	112.5	8.5	14.2	12.1	17.9	21.4	322	31:08:88
241	271	Hickson International	261.2	621	298	261.9	224.2	25.7	26.9	20.1	33.8	30.8	3461	31:12:88
242	311	AAH Holdings	258.8	171	105	1020.0	1008.5	1.1	30.0	24.5	22.4	25.5	6218	31:03:89
243	302	Simon Engineering	255.7	561	146	592.2	541.3	9.4	32.4	23.6	37.2	29.5	6777	31:12:88
244	191	Wilson (Connolly) Holdings	254.4	613	278	161.6	146.1	10.6	53.0	37.4	41.7	4.3	788	31:12:88
245	235	Britannia Arrow Holdings	252.7	122	0	N/R	N/R	0.0	27.1	41.9	-35.3	16.4	1473	31:12:88
246	243	London & Edinburgh Trust	251.4	161	0	N/R	N/R	0.0	50.4	34.6	45.7	12.9	543	31:12:88
247	246	WPP Group	249.3	475	158	647.1	384.1	0.0	40.3	14.1	0.0	29.8	10443	*31:12:88
248	280	Ami Healthcare	249.3	434	321	109.8	94.1	16.7	15.8	11.6	35.5	+15.6	3407	*31:08:88
249	241	Wates City of London Prop	246.9	161	0	N/R	N/R	0.0	30.3	10.8	180.6	10.8	24	31:12:88
250	225	M & G Group	244.4	122	0	N/R	N/R	0.0	23.0	23.3	-1.3	30.9	835	30:09:88
251	245	Powell Duffryn	241.6	308	148	581.7	570.5	2.0	33.9	33.0	2.7	24.5	9597	31:03:89
252	353	Davy Corporation	238.8	592	114	968.2	798.3	21.5	28.8	10.5	173.7	30.4	11906	31:12:88
253	405	Tiphook	239.7	303	357	67.7	39.4	72.0	10.0	3.9	155.6	19.3	486	30:04:89
254	260	Refuge Group	238.6	141	0	N/R	N/R	0.0	14.6	9.6	51.5	0.0	3751	31:12:88
255	249	Amersham International	234.9	431	266	180.0	165.0	9.1	21.4	25.3	-15.3	22.7	3129	31:03:89
256	240	Smith (David S)	234.3	652	193	337.5	268.3	25.8	38.0	30.7	7.5	30.3	4651	30:04:89
257	319	Thames Television	232.7	461	194	328.7	247.4	32.1	31.9	27.8	11.7	60.2	2427	31:03:89
258	252	McKechnie	229.4	671	200	305.6	244.0	25.2	34.0	27.6	23.3	31.0	6838	31:07:88
259	0	Compass Group	228.1	494	207	276.9	254.4	6.8	13.3	15.2	-12.5	60.0	20731	*28:09:88
260	406	Huntingdon International	227.3	691	385	60.5	44.1	37.3	11.2	8.9	25.7	40.7	2165	30:09:88
261	258	Norton Opax	227.1	472	206	272.9	260.5	0.0	35.6	25.0	0.0	+29.7	7059	*30:09:88
262	286	Bullough	226.1	597	246	206.1	163.9	26.9	26.3	21.2	24.2	48.2	4460	31:10:88
263	336	Peel Holdings	223.8	161	0	N/R	N/R	0.0	20.2	10.3	95.7	11.9	63	31:03:89
264	236	Suter	221.6	171	285	217.8	190.4	14.4	39.0	26.7	46.1	41.1	4671	31:12:88
265	274	Greene, King & Sons	220.5	421	327	103.6	100.5	3.1	19.2	16.2	18.2	10.0	1463	30:04:89
266	0	Travis Perkins	219.8	611	208	291.7	345.1	0.0	29.5	34.0	0.0	+18.4	4463	*31:12:88
267	341	Asprey	219.2	495	362	62.9	58.3	5.6	18.3	16.0	19.6	25.8	343	31:03:89
268	259	St Ives Group	218.5	471	274	167.3	153.3	9.2	23.0	17.4	32.0	33.2	2920	*31:07:88
269	267	Baird (William)	216.3	412	184	371.2	290.5	27.8	31.9	25.7	24.1	37.1	13607	31:12:88
270	292	Imry Merchant Developers	214.3	161	0	N/R	N/R	0.0	22.8	11.7	94.8	10.9	66	*31:03:89
271	277	Automated Security (Holdings)	213.8	541	343	83.0	65.6	26.6	19.1	15.2	25.9	26.0	2236	*30:10:88
272	320	Frogmore Estates	212.7	161	0	N/R	N/R	0.0	27.6	15.0	84.1	22.6	106	*30:06:88
273	273	Heath C.E.	210.1	142	0	N/R	N/R	0.0	24.1	22.3	8.2	31.5	2931	31:03:89
274	323	NSM	209.6	631	320	110.9	84.8	30.9	16.5	-29.0	156.9	24.8	1494	31:03:89
275	382	Lep Group	209.4	302	243	211.3	141.4	49.4	18.5	11.1	66.7	14.9	8347	31:12:88
276	328	Hewden-Stuart Plant	206.4	584	252	201.2	155.3	29.6	28.3	17.4	62.4	37.8	3959	28:01:89
277	286	Laird Group	205.9	591	184	563.8	395.8	40.0	21.3	32.6	-34.7	19.1	11110	31:12:88
278	0	Macallan-Glenlivet	205.7	422	404	10.2	7.6	35.2	3.2	1.6	103.3	+12.4	50	31:12:88
279	0	Caradon	202.9	611	204	290.6	170.4	70.6	33.8	20.7	63.5	54.4	6181	01:04:89
280	276	Bilton (Percy)	202.5	161	0	N/R	N/R	0.0	20.1	14.6	38.0	10.9	299	31:12:88
281	268	Farnell Electronics	201.6	551	291	138.4	111.3	24.3	27.1	25.7	6.4	32.9	2664	*29:01:89
282	253	Brent Walker Holdings	200.9	461	302	129.9	70.9	81.9	41.7	20.6	100.4	19.7	2611	31:12:88
283	410	Unitech	200.5	551	209	269.2	217.3	23.9	22.1	14.7	50.4	32.1	4696	03:06:89
284	324	Gestetner Holdings	199.9	534	176	397.2	422.3	-5.9	26.6	22.8	26.3	20.2	8646	*06:11:88
285	367	Nurdin & Peacock	198.3	512	106	1019.4	904.1	12.8	20.9	17.8	17.2	20.9	3543	31:12:88
286	346	Central Independent TV	199.1	474	214	264.2	239.6	10.3	26.5	23.5	13.1	66.9	1977	*31:12:88
287	280	Spring Ram Corporation	198.0	406	342	85.2	60.8	40.1	18.6	10.7	65.3	54.7	1097	31:12:88
288	286	Fine Art Developments	196.2	495	253	220.7	196.2	12.5	22.6	20.2	11.8	39.5	0	31:03:89
289	270	Logica	194.2	551	308	124.0	101.5	22.2	14.7	11.3	30.1	60.0	3936	30:06:88
290	237	Ashley (Laura)	193.6	495	219	252.4	201.6	25.2	20.3	23.1	-12.2	21.0	7424	28:01:89
291	342	Newarthill	192.2	613	173	415.6	343.3	21.1	16.1	14.6	11.4	9.6	3576	31:10:88
292	268	Menzies John (Holdings)	191.1	495	104	1022.1	671.9	0.0	30.1	26.2	0.0	46.9	12219	*29:04:89
293	219	Bryant Group	189.9	614	216	259.7	201.1	29.1	50.1	28.4	76.4	42.3	929	31:05:89
294	0	Rechem Environmental Services	187.4	408	384	19.5	13.4	45.5	6.6	4.5	64.1	+58.3	181	31:03:89
295	340	Meggitt Holdings	185.6	563	267	194.5	166.6	16.8	21.1	16.3	29.5	26.9	4604	31:12:88
296	388	Marston Thompson Evershed	184.5	421	345	79.5	73.5	8.1	14.9	12.9	15.3	15.9	1609	28:03:89
297	322	Chesterfield Properties	183.8	161	0	N/R	N/R	0.0	10.7	7.9	35.1	5.8	117	31:12:88
298	301	Geest	183.5	451	166	463.6	391.4	18.5	18.3	14.1	29.7	21.0	4376	31:12:88
299	298	FR Group	183.2	521	297	131.6	116.4	13.1	22.4	22.1	1.4	22.0	3016	31:12:88
300	376	UK Paper	182.6	652	234	218.3	232.0	-5.5	19.0	15.4	23.4	25.1	1832	31:12:88
301	288	Kwik-Fit Holdings	182.4	572	280	157.4	125.5	25.4	19.5	16.0	18.3	35.4	2789	28:02:89
302	278	Bradford Property Trust	180.6	161	0	N/R	N/R	0.0	21.4	19.3	11.1	27.0	91	05:04:89
303	288	Coates Brothers	179.3	621	181	345.0	290.4	64.8	34.2	21.9	56.8	36.8	5360	31:12:88
304	325	Portals Holdings	178.7	586	222	243.8	200.0	21.9	23.5	21.1	11.4	19.4	4460	31:12:88
305	350	Weir Group	177.8	581	271	171.4	137.3	24.9	19.1	13.1	45.8	21.5	3937	*30:12:88
306	306	Parkfield Group	176.5	591	302	293.5	219.3	33.9	23.2	15.2	52.6	49.5	4303	30:04:89
307	307	VSEL Consortium	175.1	692	164	465.9	429.6	8.4	17.1	17.6	-2.6	8.3	16230	31:03:89
308	368	TVS Entertainment	175.0	461	229	223.6	171.9	30.1	28.1	25.5	11.1	47.8	1312	*31:10:88
309	377	Randsworth Trust	174.5	161	0	N/R	N/R	0.0	6.6	2.2	0.0	+1.9	30	*30:09:88
310	264	Singer & Friedlander Group	172.2	122	0	N/R	N/R	0.0	16.5	7.1	0.0	14.9	255	*31:12:88
311	408	ASW Holdings	171.2	638	179	392.8	338.1	16.1	30.9	25.4	17.0	28.4	3117	31:12:88
312	297	Provident Financial Group	170.5	121	0	N/R	N/R	0.0	28.2	26.7	6.4	17.5	5606	31:12:88
313	364	Spirax-Sarco Engineering	169.7	566	326	108.0	86.8	7.4	22.4	18.9	18.2	30.9	2937	31:12:88
314	351	Cowie (T.)	168.2	571	167	462.7	321.3	44.0	35.1	17.0	47.6	53.4	2598	31:12:88
315	497	Wace Group	165.4	471	380	70.4	34.3	105.4	10.0	4.1	143.3	28.4	1331	*31:12:88
316	282	Daejan Holdings	163.8	161	0	N/R	N/R	0.0	32.6	22.0	47.7	18.2	81	31:03:89
317	329	Arlington Securities	163.0	161	0	N/R	N/R	0.0	23.4	14.7	59.3	23.4	181	31:12:88
318	447	Hunting Associated Industries	162.8	651	177	400.8	339.0	18.2	25.5	18.1	48.3	39.7	6596	31:12:88
319	308	Proudfoot (Alexander)	161.9	566	333	96.0	18.1	0.0	27.4	3.1	0.0	364.0	1049	31:12:88
320	419	Halma	161.8	663	364	81.1	66.6	20.2	11.4	9.1	24.9	56.3	1576	*01:04:89

FT TOP 500: The UK

Ranking 1989	1988	Company	Market Capital £m	Sector	Rank	Turnover This year £m	Turnover Last year £m	Per cent change	Profit This year £m	Profit Last year £m	Per cent change	ROCE	Employees	Year end
321	368	LWT (Holdings)	158.8	461	230	223.2	202.9	10.0	16.8	23.0	-31.3	25.1	1984	*31:07:88
322	349	Property Security Invest. Tst	158.8	161	0	N/R	N/R	0.0	6.3	5.8	8.3	8.8	44	31:03:89
323	278	Low & Bonar Group	158.7	582	187	312.8	305.1	2.2	22.2	20.8	8.0	18.8	5599	30:11:88
324	318	Henderson Administration Grp	158.4	122	0	N/R	N/R	0.0	12.4	22.5	-44.6	28.8	485	31:12:88
325	0	Kelt Energy	158.3	213	403	12.5	5.5	0.0	-1.2	-0.8	0.0	2.5	152	*31:03:89
326	317	Triton Europe	157.8	213	386	33.3	27.8	19.5	7.1	0.3	2272.0	13.2	59	31:03:89
327	355	Scottish Metropolitan Props	157.2	161	0	N/R	N/R	0.0	9.3	7.8	18.7	7.9	28	15:08:88
328	344	Sketchley	156.7	406	237	217.0	181.2	19.7	17.3	13.4	29.0	25.1	8280	*31:03:89
329	443	Haden Maclellan Holdings	156.1	591	289	178.8	39.4	0.0	11.1	1.9	0.0	+30.1	2746	31:12:88
330	314	Boddington Group	155.9	421	356	98.3	91.2	5.6	14.8	14.5	2.5	9.5	3827	31:12:88
331	380	Southend Property	155.7	161	0	N/R	N/R	0.0	20.8	4.3	0.0	15.5	19	*31:03:89
332	412	Howden Group	154.7	581	224	236.7	160.2	47.8	17.2	10.2	68.9	17.4	5778	30:04:89
333	321	VG Instruments	154.4	501	296	133.6	102.8	30.1	19.2	22.3	-14.0	34.7	2372	31:12:88
334	365	Devenish J.A.	154.4	421	364	70.3	51.9	35.4	11.5	10.0	14.8	14.0	2104	*30:09:88
335	357	Westpool Investment Trust	152.4	181	0	N/R	N/R	0.0	4.1	2.8	44.5	3.3	5	30:04:88
336	300	Crest Nicholson	151.3	614	210	288.3	222.8	20.4	36.1	24.0	50.1	28.6	1722	31:10:88
337	333	Norfolk Capital Group	150.9	481	381	43.5	32.2	35.4	5.3	5.2	2.7	5.8	2001	31:12:88
338	0	Blenheim Exhibitions Group	149.4	481	402	13.2	4.6	0.0	4.1	1.4	0.0	245.1	140	31:08:88
339	383	Staveley Industries	149.1	582	223	243.1	205.5	18.3	21.8	18.1	20.4	31.0	5254	01:04:89
340	339	Cannon Street Investments	148.6	591	273	169.9	105.2	60.6	20.8	12.7	63.6	31.6	1717	31:12:88
341	369	B.S.G. International	148.3	591	152	559.4	545.2	2.6	23.1	18.0	28.4	28.2	6207	31:12:88
342	0	Bardon Group	148.1	631	276	185.7	96.0	72.6	12.8	7.3	77.1	+21.0	1189	*31:03:89
343	305	Wilson Bowden	148.1	614	284	149.5	94.0	59.1	39.0	17.7	120.3	62.5	666	31:12:88
344	0	TIP Europe	147.7	304	397	32.0	29.5	8.6	9.1	7.2	26.8	28.5	230	31:07:88
345	303	Paterson Zochonis	147.8	431	261	190.4	207.9	-8.4	24.2	33.3	-27.3	27.0	3626	31:05:88
346	477	Evode Group	147.6	591	310	122.4	95.8	27.7	9.0	6.2	45.6	44.3	1942	*01:10:88
347	312	Waddington (John)	142.3	632	247	207.1	172.5	20.1	20.1	17.8	14.7	28.7	4136	01:04:89
348	287	Cray Electronic Holdings	141.8	551	317	112.2	87.0	29.1	17.0	13.1	29.8	40.4	0	**29:04:89
349	0	Anglo Group	141.3	122	0	N/R	N/R	0.0	8.3	6.0	38.3	14.5	320	*31:03:89
350	345	Lovell Y.J. (Holdings)	141.0	614	180	382.7	323.8	18.2	24.4	16.2	50.7	28.5	2562	*30:09:88
351	390	Heywood Williams	140.7	611	205	282.0	230.4	22.4	30.3	20.2	50.1	46.4	5732	31:12:88
352	326	Ansbacher (Henry) Holdings	139.4	121	0	N/R	N/R	0.0	7.2	5.1	40.6	<8.8	311	31:12:88
353	409	Robinson (Thomas) Group	138.3	561	244	209.9	113.0	85.7	18.0	12.3	46.2	55.1	4852	31:12:88
354	370	Photo-Me International	138.2	481	348	78.3	65.6	18.8	11.3	9.5	18.9	40.9	1573	30:04:89
355	387	WCRS Group	136.9	475	150	588.8	407.7	0.0	38.1	18.3	0.0	0.0	60443	*30:06:89
356	0	Leisure Investments	136.7	484	401	13.6	9.3	0.0	1.3	2.2	0.0	8.9	1167	*31:12:88
357	363	Goal Petroleum	136.0	213	388	17.1	19.6	-13.9	0.4	3.8	-88.3	1.1	18	31:12:88
358	362	Davis, Godfrey	135.9	591	217	258.4	222.0	15.5	17.1	13.9	23.0	21.6	11344	31:12:88
359	331	Sturge Holdings	135.1	142	0	N/R	N/R	0.0	17.2	12.6	36.6	109.6	1077	30:09:88
360	399	Britannia Security Group	134.3	406	363	61.7	24.9	147.6	10.0	5.4	85.8	30.3	2347	30:06:88
361	420	Eurotherm International	133.5	551	301	128.9	111.6	15.4	16.6	12.8	22.7	31.5	2554	31:10:88
362	403	Grampian Holdings	132.2	591	322	108.7	59.3	83.2	10.4	6.1	69.9	38.4	2436	31:12:88
363	315	Hestair	131.0	171	195	315.0	216.8	45.3	20.7	13.3	55.1	51.9	4465	31:01:89
364	335	McAlpine (Alfred)	130.1	613	147	591.0	583.1	1.3	20.5	31.4	-34.9	16.2	7488	31:10:88
365	310	SD-Scicon	129.0	482	231	221.8	83.6	0.0	13.4	7.4	0.0	66.5	4436	**31:12:88
366	429	BM Group	128.5	591	314	119.5	78.9	51.5	8.8	5.1	73.3	27.3	2016	30:06:88
367	444	TV-AM	127.6	481	359	65.3	54.7	19.2	20.1	13.6	48.1	113.2	370	*31:01:89
368	440	Johnson Group Cleaners	127.4	406	306	124.3	101.8	22.1	18.5	11.6	59.0	28.8	7993	*31:12:88
369	459	Mucklow (A. & J.) Group	124.9	161	0	N/R	N/R	0.0	7.5	6.0	25.3	11.0	94	30:06:88
370	298	Etam	124.8	491	289	140.7	113.9	23.6	17.5	17.9	-2.4	27.8	4080	28:01:89
371	394	Warnford Investments	124.8	161	0	N/R	N/R	0.0	6.4	5.1	25.6	42.7	13	25:12:88
372	390	Newman Tonks Group	124.5	591	286	145.9	129.2	12.9	18.8	14.1	19.6	35.7	3917	31:10:88
373	0	Capital Radio	123.9	464	389	30.5	22.3	36.3	9.3	3.9	134.8	103.4	185	30:09:88
374	437	Stead & Simpson	123.7	495	341	90.5	77.9	16.2	10.9	8.9	22.5	13.1	2536	31:03:89
375	0	Mays	123.3	482	405	7.9	4.7	68.2	2.2	1.1	99.0	33.0	135	*31:05:89
376	291	GPG	123.0	121	0	N/R	N/R	0.0	23.1	18.0	28.2	14.5	1408	31:10:88
377	359	Diploma	121.1	551	303	127.1	111.5	14.0	19.3	15.4	25.3	31.2	1387	30:09:88
378	464	Senior Engineering	120.8	561	249	205.8	143.5	44.1	13.6	9.3	46.7	21.5	4509	31:12:88
379	368	Emess Lighting	119.7	541	328	103.6	63.2	0.0	15.1	7.7	0.0	+18.0	2885	31:12:88
380	467	Trinity International Holdings	119.3	472	323	108.1	90.1	19.9	14.8	11.5	29.4	42.7	2702	*31:12:88
381	395	Oxford Instruments Group	119.0	552	329	101.1	89.1	13.4	11.3	11.2	0.7	18.3	1444	28:03:89
382	0	Mersey Docks and Harbour Co	118.8	308	369	55.2	53.9	2.3	6.9	3.8	88.7	9.0	2281	31:12:88
383	384	Avon Rubber	118.5	574	228	226.9	201.5	12.6	16.2	11.4	42.0	37.2	5165	*01:10:88
384	455	Ransomes	118.5	581	339	92.1	81.2	13.4	13.2	9.7	36.0	29.4	1238	*31:12:88
385	497	Westland	117.7	523	186	356.7	381.5	-6.2	17.4	18.4	-5.4	10.1	9160	30:09:88
386	352	Persimmon Group	117.3	614	315	119.2	73.7	61.8	29.6	12.4	138.5	79.6	825	31:12:88
387	460	Midsummer Leisure	116.5	461	384	40.1	17.5	128.8	6.4	2.3	178.4	25.1	2132	30:09:88
388	0	Ellis & Everard	116.1	622	238	214.9	151.7	41.7	3.6	2.8	27.5	15.6	1513	30:04:89
389	468	United Friendly Insurance	116.1	151	0	N/R	N/R	0.0	16.9	10.8	56.6	0.0	4546	31:12:88
390	361	Westbury	115.9	614	261	154.0	122.8	25.3	36.3	15.4	135.8	56.7	502	28:02:89
391	418	Bridon	115.3	581	241	212.5	196.1	8.4	13.5	7.7	75.3	18.8	3980	31:12:88
392	295	Myson Group	115.0	586	272	169.8	158.1	7.3	22.5	20.6	9.6	51.6	3863	31:12:88
393	375	Higgs and Hill	114.9	614	192	342.9	267.1	28.4	25.1	17.3	45.0	31.5	1897	31:12:88
394	389	Adwest Group	114.3	581	334	97.9	95.9	2.1	13.5	10.4	29.7	23.1	2798	30:06:89
395	487	Bentalls	114.3	491	351	74.7	71.5	4.6	4.8	4.8	-0.9	20.2	1535	28:01:89
396	427	Brake Brothers	113.2	431	305	124.8	91.9	35.8	9.6	7.5	28.3	37.4	1408	31:12:88
397	484	Anglia Television	112.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
398	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
399	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
400	[illegible]	Peak	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
401	[illegible]	Parkway Group	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
402	[illegible]	Raine Industries	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
403	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
404	[illegible]	McCarthy & Stone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
405	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
406	[illegible]	Time Products	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
407	[illegible]	Lowe Howard-Spink & Bell	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
408	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
409	[illegible]	Southern Business Group	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
410	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
411	[illegible]	National Home Loans	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
412	407	Sheraton Secs International	107.1	161	0	N/R	N/R	0.0	23.2	11.3	104.9	24.0	33	31:03:89
413	0	Cabra Estates	107.0	613	398	15.0	8.3	81.1	1.3	0.5	136.5	32.8	182	*31:12:88
414	430	Dobson Park Industries	106.4	581	225	236.2	220.5	7.1	17.7	14.1	25.6	14.6	5413	01:10:88
415	404	Yule Catto	105.4	622	278	158.7	114.6	38.6	17.8	14.0	27.0	24.1	3368	31:12:88
416	0	Lilley	105.2	614	251	204.5	249.5	0.0	7.8	2.2	0.0	25.4	4477	*31:12:88
417	453	Finlay (James)	104.7	612	284	184.8	158.0	16.3	7.3	3.1	133.0	8.4	33367	31:12:88
418	472	Rockware Group	104.5	591	282	189.3	161.5	17.2	11.2	9.2	21.7	18.6	4018	31:12:88
419	486	Tilbury Group	104.5	613	285	184.5	140.2	31.6	14.7	9.4	55.8	34.5	2364	*31:12:88
420	48	Shilordim Reprographics	104.0	581	397	15.0	11.5	30.7	4.0	3.0	32.1	94.6	480	30:06:88
421	0	More O'Ferrall	103.8	475	377	44.5	38.3	16.2	9.5	7.1	33.8	52.4	611	31:12:88
422	488	Low (William)	103.5	498	213	265.2	247.3	7.2	11.5	8.1	42.2	18.1	8006	03:09:88
423	428	Clayform Properties	103.3	161	0	N/R	N/R	0.0	17.4	14.1	23.3	16.6	276	31:12:88
424	371	Budgens	102.9	498	181	381.5	277.8	0.0	16.4	13.5	0.0	48.5	3428	*29:04:89
425	334	Hogg Robinson	102.8	406	351	99.5	86.8	14.5	5.0	11.0	-54.7	17.4	4208	31:03:89
426	470	Sovereign Oil	102.7	213	400	14.2	22.8	-37.9	1.9	4.7	-59.5	4.1	42	31:12:88
427	499	Expamet International	101.3	591	316	115.9	100.5	15.3	10.3	8.4	22.7	36.2	2340	31:12:88
428	0	EIS Group	101.2	586	318	112.0	87.9	27.5	9.6	8.3	15.4	20.8	3195	31:12:88
429	0	Charterhall	100.8	171	368	51.9	8.0	0.0	12.4	5.7	0.0	+27.3	254	*30:06:88
430	247	Hambro Countrywide	100.1	181	0	N/R	N/R	0.0	21.3	24.9	-14.5	68.3	4695	*31:12:88
431	448	Whitecroft	99.9	591	282	137.1	141.5	-3.1	15.4	12.1	26.6	22.9	2636	31:03:89
432	498	Erskine House Group	99.5	594	275	166.1	102.6	61.9	15.1	9.2	63.5	71.7	2852	31:03:89
433	0	Yorkshire Television	99.5	461	297	144.8	128.5	12.6	15.6	13.5	15.6	61.2	1623	30:09:88
434	489	Town Centre Securities	98.5	161	0	N/R	N/R	0.0	4.3	3.3	30.9	6.6	112	30:09:88
435	0	Tibbett & Britten Group	98.5	306	365	68.7	51.1	34.3	6.3	4.8	30.5	34.7	2634	31:12:88
436	0	Vibroplant	98.4	611	370	54.2	35.8	51.2	11.1	7.5	48.0	31.6	1059	31:03:89
437	401	Gerrard & National	98.0	121	0	N/R	N/R	0.0	1.7	7.0	-75.8	0.0	430	05:04:89
438	432	London & Metropolitan	97.2	161	0	N/R	N/R	0.0	13.9	9.1	52.4	17.4	58	31:12:88
439	281	Regalian Properties	96.8	161	0	N/R	N/R	0.0	25.6	22.7	12.8	15.5	2490	31:03:89
440	462	Blackwood Hodge	96.6	581	174	412.5	302.9	36.2	16.5	12.5	24.0	21.6	3578	31:12:88
441	465	Allied Textiles	96.1	412	330	100.2	84.2	19.0	11.9	9.6	23.0	21.8	2098	30:09:88
442	0	Whatman Reeve Angel	95.9	586	379	43.8	33.0	32.9	9.0	7.9	13.9	32.1	856	31:12:88
443	400	A.B. Electronic Products	95.4	551	253	198.7	171.6	15.8	16.4	8.0	105.0	31.5	6003	30:09:88
444	347	Chloride Group	95.1	541	190	345.3	307.9	12.1	12.2	18.2	-33.0	15.1	12176	31:03:89
445	379	Pentos	95.1	496	312	120.8	90.0	34.2	11.0	7.8	41.0	38.2	2376	31:12:88
446	467	Rutland Trust	94.8	122	0	N/R	N/R	0.0	12.1	5.3	128.2	31.8	707	31:12:88
447	0	Barrett (Henry)	94.5	583	367	56.7	40.6	39.6	4.4	1.9	129.0	38.7	517	31:08:88
448	0	Armstrong Equipment	94.1	571	294	134.4	121.7	10.4	7.1	7.7	-7.8	16.3	2847	*02:07:88
449	327	Brown (N.) Group	94.1	495	324	107.7	100.5	7.2	6.1	13.5	-54.7	19.8	1401	04:03:89
450	422	Astra Holdings	93.7	622	337	98.2	46.1	108.5	9.5	6.2	53.4	+57.8	1693	*31:03:89
451	402	Union Discount (London)	93.7	121	0	N/R	N/R	0.0	3.5	11.1	-68.7	0.0	239	31:12:88
452	365	Warner Estate Holdings	93.3	161	0	N/R	N/R	0.0	5.8	4.4	30.4	10.2	132	30:09:88
453	0	Caird Group	92.7	406	408	8.9	1.1	435.7	1.5	0.0	2873.5	10.0	127	30:09:88
454	474	Polypipe	91.7	611	374	45.6	26.9	69.4	7.3	4.7	55.5	56.4	695	30:09:88
455	0	Quadrant Group	91.4	583	385	57.6	35.3	63.2	4.4	2.1	108.1	+22.1	441	28:02:89
456	451	Microgen Holdings	91.4	541	385	39.5	35.4	11.6	10.0	9.6	4.2	121.0	648	*31:10:88
457	380	Astec (BSR)	91.3	551	248	206.6	209.5	-1.3	6.2	16.4	-62.1	9.3	12090	*31:12:88
458	0	Thorntons	91.2	451	372	52.5	46.3	13.5	7.5	6.2	22.0	33.1	2210	*28:08:88
459	450	City Centre Restaurants	90.5	484	380	63.3	42.8	0.0	8.1	6.9	0.0	19.2	2416	*31:12:88
460	0	EKB Group	90.3	475	380	29.5	14.8	99.3	3.7	2.1	78.7	+91.0	338	31:03:89
461	0	MTM	90.3	622	352	72.8	39.8	83.2	6.6	5.1	27.5	30.7	371	31:12:88
462	0	Lowndes Queensway Group	89.4	491	232	221.2	0.0	0.0	9.1	0.0	0.0	+14.6	6834	*29:01:89
463	461	Cambridge Electronic Industries	89.3	551	270	172.8	147.0	17.5	15.0	12.6	18.9	25.7	5238	*31:12:88
464	0	Renishaw	89.3	581	381	28.2	23.1	22.2	8.0	7.5	6.9	29.8	843	30:06:88
465	495	Shandwick	89.1	471	395	68.3	28.3	141.3	8.8	3.4	159.2	+59.5	907	31:07:88
466	500	ABB Kent Holdings	88.9	541	302	129.5	121.8	6.3	8.6	6.5	31.4	12.8	3770	*31:12:88
467	0	Plaxton Group	88.8	304	221	244.1	99.9	0.0	4.8	1.5	0.0	26.2	2116	*31:12:88
468	417	Wembley Group	88.6	461	375	44.0	31.1	41.4	11.2	2.2	409.1	11.7	1969	31:12:88
46	944	Horne Robert	88.4	652	283	187.5	155.1	20.1	15.4	13.1	17.2	42.9	849	30:09:88
470	0	BSS Group	88.0	593	298	130.1	105.2	23.6	12.2	10.1	20.9	35.0	1093	31:03:89
471	0	Close Brothers	87.7	121	0	N/R	N/R	0.0	8.4	3.4	89.3	19.5	0	31:07:88
472	424	Bulmer H.P. Holdings	87.6	424	268	195.9	178.9	9.5	10.2	15.0	-32.1	20.0	1530	*28:04:89
473	309	European Home Products	87.5	492	195	318.5	198.7	60.3	24.3	12.2	99.0	37.0	3632	31:12:88
474	469	International Business Comm.	87.4	472	356	69.6	29.0	139.2	13.3	5.3	150.8	0.0	725	31:12:88
475	0	Leigh Interests	87.1	406	373	51.6	42.4	21.7	6.0	4.1	46.2	14.4	1046	31:03:89
476	0	Cityvision	87.0	406	399	14.7	4.2	252.5	5.4	1.1	410.8	74.1	652	30:11:88
477	337	Wardle Storeys	86.0	622	349	76.3	66.1	15.4	16.5	12.7	29.3	38.8	1977	*31:08:88
478	425	Asda Property	85.1	161	0	N/R	N/R	0.0	8.8	3.5	87.3	12.1	33	31:12:88
479	442	BTP	84.6	622	335	87.1	107.9	-10.0	11.4	8.7	18.0	30.9	1545	31:03:89
480	349	Berkeley Group	84.6	614	290	139.0	92.0	51.1	22.1	17.7	24.9	31.8	392	30:04:89
481	398	Countryside Properties	84.2	614	308	95.6	54.0	76.9	19.3	11.1	73.2	33.6	337	30:09:88
482	448	Grainger Trust	84.2	161	0	N/R	N/R	0.0	5.9	4.0	46.0	18.1	42	30:09:88
483	435	Hartwell	83.5	573	176	403.5	332.8	21.3	10.4	9.7	6.9	16.7	2193	28:02:89
484	478	Alexon Group	83.5	411	304	138.6	70.0	0.0	16.0	8.5	0.0	63.8	5387	*25:03:89
485	414	Matthews (Bernard)	83.3	451	288	135.2	136.0	-0.6	10.2	14.1	-27.2	18.5	2586	01:01:89
486	454	Speyhawk	82.5	613	348	77.9	67.8	14.8	17.3	10.1	71.5	18.5	497	30:09:88
487	497	Black (Peter)	81.7	591	298	133.6	99.6	0.0	8.5	8.7	0.0	22.3	2769	*04:06:89
488	0	Powerscreen International	81.3	586	375	44.9	48.9	-8.3	11.5	9.0	27.8	48.0	355	31:03:89
489	0	Life Sciences	81.2	402	380	43.5	18.9	0.0	6.1	1.9	0.0	21.1	877	31:12:88
490	0	Johnson & Firth Brown	81.0	565	332	99.2	83.8	18.4	7.7	5.6	36.8	22.5	2314	30:09:88
491	0	Fuller Smith	81.0	421	371	52.9	49.1	7.9	7.4	6.7	10.0	11.4	1210	31:03:89
492	0	Manchester Ship Canal Co	80.0	303	392	22.3	23.4	-4.6	0.5	1.4	-64.4	1.8	752	31:12:88
493	0	Mansfield Breweries	79.4	421	347	77.2	98.7	-21.8	9.0	5.9	51.8	11.6	2764	31:03:89
494	0	Allied London Properties	79.4	161	0	N/R	N/R	0.0	10.7	5.3	103.1	12.2	128	30:06:88
495	0	Western Motor Holdings	79.1	571	220	249.1	136.8	83.5	10.1	5.8	75.1	41.4	1265	31:12:88
496	0	LIT Holdings	78.3	161	0	N/R	N/R	0.0	5.6	3.5	0.0	20.4	921	*31:12:88
497	0	Ashley Group	77.5	651	407	3.3	3.0	0.0	0.1	0.0	0.0	4.2	60	*27:08:88
498	469	Ferguson Industrial Holdings	77.1	652	299	129.5	127.6	1.5	13.1	11.4	14.7	31.9	3204	28:02:89
499	480	Tops Estates	77.1	161	0	N/R	N/R	0.0	1.2	0.8	58.7	6.0	5	31:03:89
500	0	Brookmount	76.9	161	0	N/R	N/R	0.0	9.3	4.6	101.4	9.4	135	31:03:89

FOOTNOTES TO THE UK 500 LIST

< ROCE based on shareholders' funds
@ ROCE based on shareholders' funds after charging interest on loan capital not stated separately
+ ROCE based on capital employed at year-end
[illegible]

214 London and Manchester Group, profit is net of tax. 221 Body Shop International, year-end change to 28/02/89.Figures are pro-forma.ROCE based on pre-tax profit. 227 Wolverhampton & Dudley Breweries, 1988 figures are for 53 weeks to 2/10/88. 229 Sema Group. Merger of [illegible]

[illegible] ecember 1988. 345 Evode Group, this year's figures are for 53 weeks to 01/10/88. 348 Cray Electronic Holdings, figures are unaudited 349 Anglo Group, formerly Anglo Leasing. 355 WCRS Group, this year's figures are for 14 months to 30/06/89, ROCE annualised. 356 Leisure [illegible]

Biggest profit increases (UK)

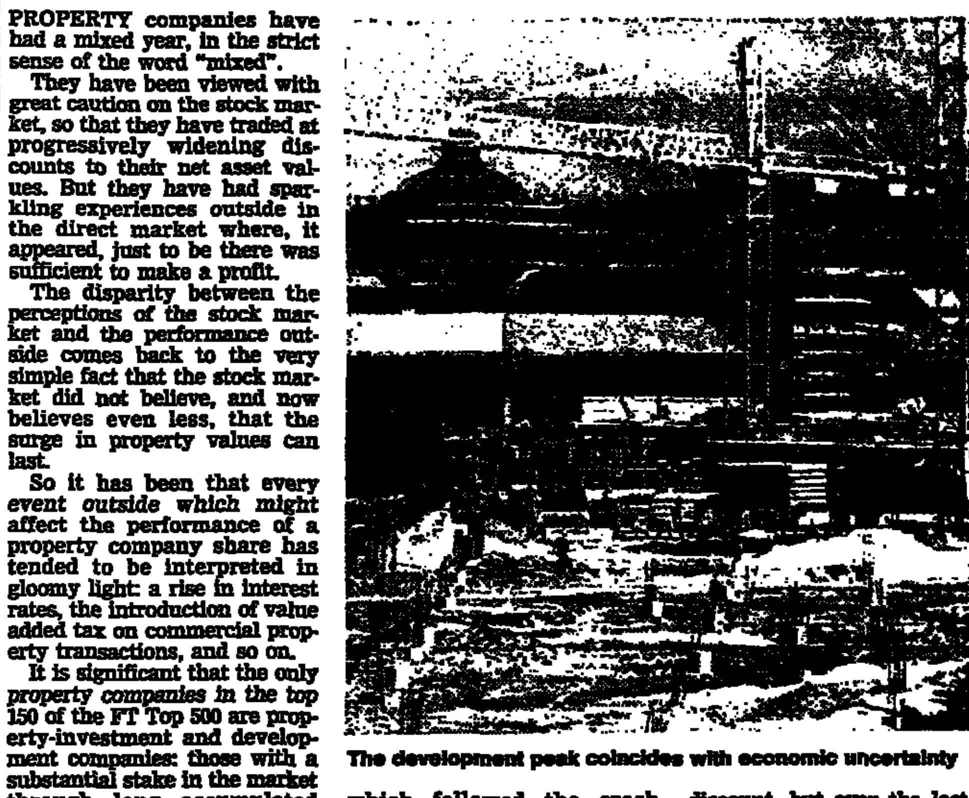
Rank	Company	Sect.	Top 500 rank	% Profit increase
1	Caird Group	406	453	2873.5
2	Triton Europe	213	327	2272.0
3	Lloyds Bank	112	31	483.9
4	Cityvision	495	476	410.8
5	Wembley Group	461	468	409.1
6	Barclays	112	13	277.0
7	Raine Industries	613	402	274.4
8	Parkway Group	471	401	266.0
9	British Aerospace	523	63	245.4
10	Midland Bank	112	36	237.2
11	Peek	551	204	233.0
12	Standard Chartered	112	91	225.1
13	Wates City of London Prop	161	250	180.6
14	Midsummer Leisure	461	388	178.4
15	Davy Corporation	592	253	173.7
16	Shandwick	471	465	159.2
17	NSM	631	275	156.9
18	Tiphook	303	254	155.5
19	International Business Comm.	472	474	150.8
20	Wace Group	471	316	142.3
21	Persimmon Group	614	387	138.5
22	Cabra Estates	613	413	136.5
23	Westbury	614	391	135.8
24	Capital Radio	484	374	134.8
25	Finlay (James)	512	417	133.0

Biggest profit decreases (UK)

Rank	Company	Sect.	Top 500 rank	% Profit decrease
1	Storehouse	491	133	90.2
2	Goal Petroleum	213	358	88.3
3	Gerrard & National	121	437	75.8
4	Union Discount (London)	121	451	68.7
5	Kleinwort Benson Group	121	191	65.6
6	Manchester Ship Canal Co	303	492	64.4
7	Astec (BSR)	551	457	62.1
8	Sovereign Oil	213	426	59.5
9	De La Rue	472	185	57.9
10	London & Scot Marine Oil	213	92	56.1
11	Brown (N.) Group	495	449	54.7
12	Hogg Robinson	406	425	54.7
13	Jaguar	401	136	51.0
14	Clyde Petroleum	213	177	50.4
15	Henderson Administration Grp	122	324	44.6
16	Morgan Grenfell	121	180	43.6
17	Premier Consolidated Oilfields	213	193	40.3
18	Coats Viyella	412	112	36.5
19	Britannia Arrow Holdings	122	246	35.3
20	McAlpine (Alfred)	613	364	34.9
21	Laird Group	591	278	34.7
22	Chloride Group	541	444	33.0
23	Bulmer H.P. Holdings	424	472	32.1
24	Daily Mail & General Trust	121	142	31.5
25	LWT (Holdings)	461	321	31.3

PROPERTY

The market is cautious



The development peak coincides with economic uncertainty

PROPERTY companies have had a mixed year, in the strict sense of the word "mixed".

They have been viewed with great caution on the stock market, so that they have traded at progressively widening discounts to their net asset values. But they have had sparkling experiences outside in the direct market where, it appeared, just to be there was sufficient to make a profit.

The disparity between the perceptions of the stock market and the performance outside comes back to the very simple fact that the stock market did not believe, and now believes even less, that the surge in property values can last.

So it has been that every event outside which might affect the performance of a property company share has tended to be interpreted in gloomy light: a rise in interest rates, the introduction of value added tax on commercial property transactions, and so on.

It is significant that the only property companies in the top 150 of the FT Top 500 are property-investment and development companies: those with a substantial stake in the market through long accumulated investments, whose development activities are designed to add value to the investment portfolio. They contrast with the development companies, seeking to establish stronger asset bases or trading on their developments in the interests of establishing strong earnings per share.

There have been no meteoric shifts in position in the FT500 among these investment companies: Land Securities, MEPC, Hammerson, Slough Estates, British Land and Great Portland Estates. And this steadiness is directly attributable to the view which the market has taken of property companies ever since the equity crash of October 1987.

The change in sentiment which followed the crash meant that a much greater attention was paid to the asset base of property companies. Those with a strong asset base tended to be favoured. Those without, those who had stressed earnings per share, found themselves with fewer friends.

During 1988, the performance of property shares, pulled upward by the investment companies, tended to be stronger than the market. But this year property shares have consistently underperformed the market, so that groups like Land Securities have latterly been on a discount of around 35 per cent to their net asset value, the biggest discount since 1982. Investment companies traditionally do trade at a discount, but over the last 10 years this has averaged out at 23.9 per cent, so present performance indicates a sluggish market.

What has been happening is that the dire predictions of the stock market have looked as if they might be coming true. It was inevitable that they should. Given that the direct property market has traditionally moved in cycles, with periods of very high returns punctuating periods of flat return, sooner or later predictions of a downturn were bound to be proved right.

Retrospectively, it is clear that the direct market hit the peak of its cycle at the end of 1988. For that calendar year, total returns – made up of capital and rental growth – on all property passed 30 per cent, higher than any other form of conventional investment. Within the average, the performance of industrial property was the highest, followed by offices, with retail, unsurprisingly, at the bottom.

Since then, the level of returns, measured on a year-on-year basis has drifted downward to just over 20 per cent. The downward trend has been firmly established. But there are two points about this. The first is that returns of 15-to-20 per cent are seen in the industry as normal; what happened in 1987-88 was abnormal. The second is that returns on property investment are still running higher than those on equities and gilts.

Yet the stock market's causes for worry about the future of the sector cannot be lightly dismissed. There has been a period of high development activity, starting in the City of London and spreading outward. It is a moot point whether, in the short term, the level of demand is strong enough to absorb the space which is being created.

But the peak of development activity is coinciding with the likelihood of a downturn in the level of economic activity. This will be translated into property as immediate plans for the taking of extra space are put aside to wait for brighter economic prospects. The problem will hit those companies with both expensive and uncapped financing and empty space.

The property companies in the FT500, however, will tend to ride over that. There has been much shuffling of short-term debt into long-term borrowings. Strong asset bases make the largest property investment companies classic defensive stocks. And rental rises in the last three years mean that, with full buildings, their income increases.

Paul Cheeseright

Carlton shines

Continued from page 6

its many European offices, should help to open up the continental European market for the UK company.

Apart from getting his hands on some of the latest digital television equipment – the sort that increasingly causes things to fly through the air on contemporary television screens – Mr Green's achievement has been to appreciate, at a early stage, how fast the television industry is likely to grow because of deregulation and technical change.

He has embarked on a process, which reached a peak this year, of trying to ensure that whatever technology is used to deliver pictures to audiences – video, cable, satellite or normal broadcasting transmission – the programme-makers will have used either Carlton equipment or services somewhere along the line.

Such a strategy helped Carlton Communications to nearly double its pre-tax profits to £42m in the six months to March, on turnover of £235.5m.

One part of the strategy remains incomplete. Although Carlton has been increasing its presence in television and film production, through its Zenith subsidiary, the company is still not a broadcaster. The first steps towards putting right that omission could be taken within the next 12 months.

One possibility is that Carlton will try to take over an existing ITV company, such as Thames Television, or Central Independent Television in which it has a 20 per cent stake, before Britain's commercial broadcasting licences are put up to competitive tender some time in 1991.

If that doesn't work, it will be very surprising if Michael Green is not one of the bidders for the new 10-year commercial broadcasting licences that begin on January 1 1993.

Raymond Snoddy

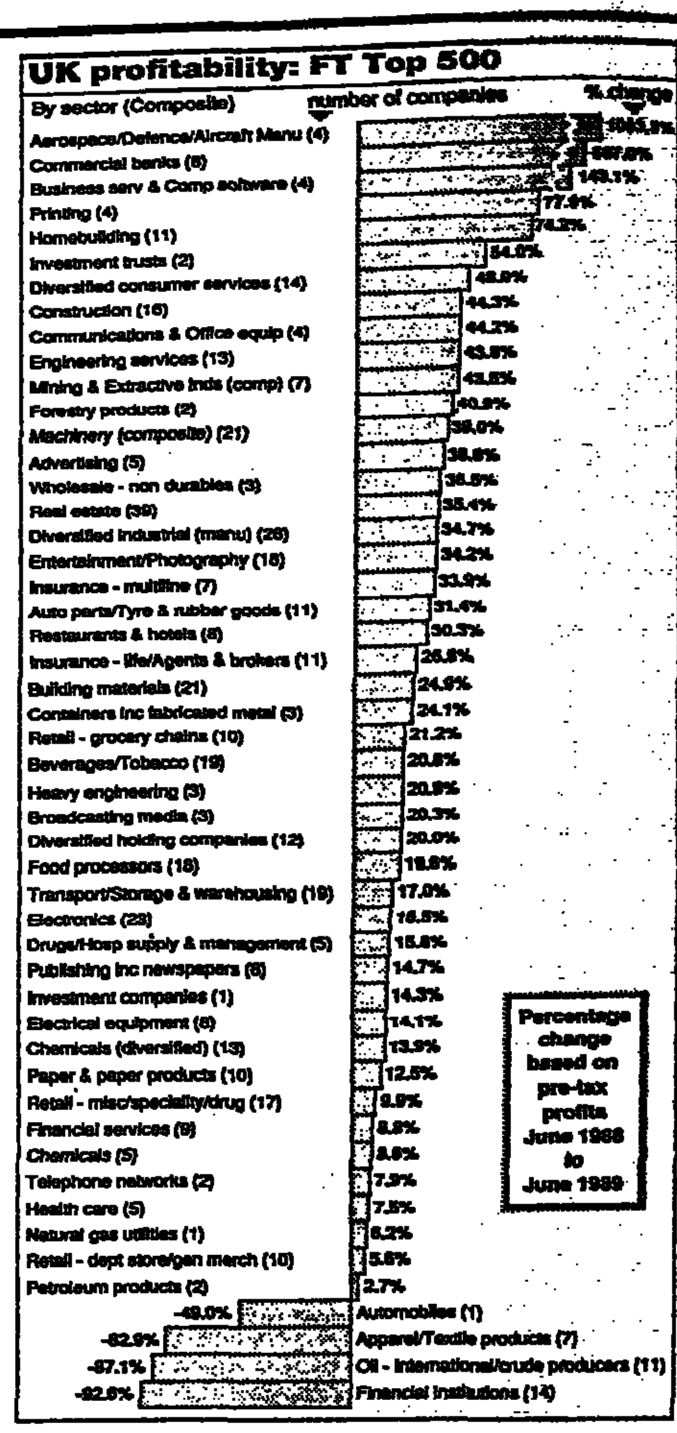
FT TOP 500: Sector and Company profiles

Additions to the UK Top 500

Company	This Rank	SR	Company	This Rank	SR
British Steel	29	633	Tibbett & Britten Group	435	306
NFC	109	302	Vibroplant	436	611
MB Group	133	171	Whatman Reeve Angel	442	566
Sema Group	229	551	Barrett (Henry)	447	563
Compass Group	259	484	Armstrong Equipment	448	571
Travis Perkins	266	611	Caird Group	453	406
Macallan-Glenlivet	278	422	Quadrant Group	455	533
Caradon	279	611	Thorntons	458	451
Rechem Environmental Services	294	406	FKB Group	460	475
Kelt Energy	325	213	MTM	461	622
Blenheim Exhibitions Group	338	481	Lowndes Queensway Group	462	491
Bardon Group	342	631	Renishaw	464	561
TIP Europe	344	304	Plaxton Group	467	304
Anglo Group	349	122	BSS Group	470	563
Leisure Investments	356	464	Close Brothers	471	121
Capital Radio	373	464	Leigh Interests	475	406
Misys	375	482	Cityvision	476	495
Mersey Docks and Harbour Co	382	306	Powerscreen International	488	566
Ellis & Everard	388	622	Life Sciences	489	402
Wagon Industrial Holdings	399	591	Johnson & Firth Brown	490	566
Peek	400	551	Fuller Smith	491	421
Parkway Group	401	471	Manchester Ship Canal Co	492	303
Southern Business Group	409	534	Mansfield Breweries	493	421
Cabra Estates	413	613	Allied London Properties	494	161
Lilley	416	614	Western Motor Holdings	495	571
More O'Ferrall	421	475	LIT Holdings	496	181
EIS Group	428	566	Ashley Group	497	651
Charterhall	429	171	Brookmount	500	161
Yorkshire Television	433	461			

Departures from the UK Top 500

Company	Last Rank	SR	Company	Last Rank	SR
Rowntree	30	451	Hall (Matthew)	392	561
Metal Box	114	672	Sandell Perkins	397	651
Associated Newspaper Hldgs	126	472	Ruberoid	398	611
Magnet	168	611	Local London Group	413	161
Harris Queensway	182	491	Freshbake Foods	415	451
Pleasurama	193	461	United Scientific Holdings	416	521
Atlantic Computers	204	482	DPCE Holdings	421	482
Birmid Qualcast	216	563	Church (Charles) Devs	426	614
Croda International	222	621	Empire Stores, Bradford	434	495
London Merchant Securities	224	161	AGB Research	436	472
Collins (William) & Sons	233	472	Aurora	438	561
Pilgrim House Group	234	541	Walker Greenbank	439	591
Peachey Property Corporation	251	161	Hollis	445	652
Carless	261	213	Trade Indemnity	449	122
Bejam Group	262	493	Ward Holdings	455	613
Telephone Rentals	269	533	International City Holdings	458	122
Kennedy Brookes	293	464	London United Investments	460	181
Landleisure	294	161	Brent Chemicals International	462	622
Virgin Group	304	461	Amari	473	634
Falcon Industries	316	591	Hogg Robinson & Gardner Mount	475	142
Thomson T-Line	338	171	Tyndall Holdings	476	122
Nu-Swift Industries	348	591	Lawrence (Walter)	479	613
London Shop	356	161	Austin Reed Group	481	491
Acatos and Hutcheson	361	451	Trencherwood	482	614
Wickes	364	611	GT Management	483	121
Travis and Arnold	372	611	Fairbriar	486	614
Cap Group	373	551	MBS	492	551
Eagle Trust	378	591	Scottish Heritable Trust	493	171
Reed Executive	391	481			



For Capital, deregulation is likely to generate even more new angles and perspectives

Capital Radio: into the charts at 373

A bigger share of the ads

RADIO HAS been one of the most dynamic stock-market sectors over the past year, and Capital Radio, the largest and most profitable commercial radio company, has been one of the industry's star performers.

The near-doubling in the share price over the past year has seen the group's market capitalisation climb to about £165m ($258m), and reflects both the company's earnings growth and improved investor sentiment arising from the deregulation of the broadcasting industry.

In terms of earnings, Capital has seen pre-tax profits increase from £3.94m in 1987, when the company joined the market, to £15m in the year to the end of September 1989.

The principal factor in this upward trend has been the strong growth in advertising revenues enjoyed by the sector as a whole. Radio rate-cards are on average about one-quarter the price of television companies', which has combined with improved audience research and marketing to give radio stations an increasing slice of total advertising expenditure.

Audiences have also been increasing, partly as a result of the splitting of broadcasting frequencies into two wavelengths. Capital FM, which is aimed at the 15-24 age group, wins about 17.1 per cent of London listening; and Capital Gold, which broadcasts on AM, is aimed at 25-44 year olds and wins about 8 per cent.

The splitting of frequencies, which has followed a relaxation of IBA regulations, allows commercial radio companies to expand their audience reach, and hence revenues, with little additional overheads. As a result, the extra income moves swiftly to the bottom line.

The operation of an increased number of stations by existing companies is one of the reasons for increased optimism surrounding the sector as a whole. Equally important is the increase in corporate activity and the implications of further industry deregulation.

The past 18 months has seen a bout of mergers, stake-building and acquisitions as the industry forms into a handful of larger groupings. Capital itself has stakes in 12 other commercial radio companies, but the size of audience reach provided by its London franchise prevents it from owning any other stations.

This restriction may be eased as a result of the legislation aimed at reforming UK broadcasting, which is currently at the white paper stage. More certain is that three new national channels will be created, and Capital is an obviously strong candidate to win one of them.

For Capital, like the industry as a whole, however, deregulation is also likely to mean a plethora of new stations and consequently increased competition.

Plans for an additional 20 stations are already under way, and the IBA, which will itself be abolished under the proposed legislation, estimates that there will be more than 100 new local stations.

But most analysts are optimistic about the effects this expansion will have on the larger groupings such as Capital. For one thing, the established companies have the expertise with which to assist the new stations, and links are already being cemented through cross-holdings and stake building.

More fundamentally, the expansion of the commercial radio sector as a whole is expected to enlarge its share of national advertising revenues. Some justification for this viewpoint comes from international comparisons.

Whereas, in the UK, the 50 or so commercial radio companies take only about 2 per cent of advertising revenues, in France, which has over 1000 stations, the share is over 8 per cent. Part of the reason lies in the better targeting of audiences, in terms of both age group and geographical location.

But Capital's fortunes are not tied exclusively to radio. It has a 50 per cent stake in MAC TV, a television production house, and earlier this year bought Ewart, a television production facility. With the trend towards greater independent production, this represents another potentially lucrative business.

John Ridding

Statistics for this survey were compiled by Anne-Britt Dullforce and Rupert Arlow.

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Editorial production: Martin Davies.

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BRITISH STEEL: in at 29

Looking for a partner

FROM THE frying-pan into the fire – that has been the recent course of British Steel.

From being one of Europe's biggest lame ducks, the former state-owned steel-maker has emerged with such force into the top of the world steel rankings that it now finds itself under the harsh, unremitting glare of the London stock-market.

The fire, of course is nowhere near as bad as the frying-pan; and under the market's spotlight is just where the company has always wanted to be. It saw its long-term dream realised when it was privatised at the end of 1988, and straight away it enters the FT UK Top 500 at number 29.

British Steel got a taste of the atmosphere that the stock market breeds when the company announced last month that half-year pre-tax profits to September had leaped by 57 per cent to £423m.

That was a full £50m above most expectations. But it did precisely nothing for British Steel's share price. That was because the management's satisfaction at such a performance was tempered by the toughest warnings yet about declining demand and weaker prices. Within an hour, analysts were back in their offices scribbling £720m as a likely pre-tax outturn for the full year, but a figure around £100m less than that for next year.

British Steel's management is too knowledgeable and too tough to be surprised by the City. Those two qualities – plus a massive dose of state aid, a great deal of suffering among its workforce, and a healthier steel market – were the main ingredients in the great turn-round story of British Steel.

The then British Steel Corporation absorbed more than £8bn of state-aid from the late 1970s until the mid 1980s. It had seven integrated sites in 1979 (21 in 1970) and a workforce of 135,000 (185,000 in 1975). Man-hours per tonne of steel produced averaged 14 in 1980-81. It incurred an operating loss of £538m in 1980 and a total loss that year of £1.8bn after exceptional items.

The company now has five integrated sites. Its workforce is down to about 52,500. Its man-hours per tonne is less than five. Last year, one international report identified British Steel as the world's lowest cost producer – though not the most productive. The proportion of steel made by the efficient continuous-casting method has risen steadily to 85 per cent.

Pre-tax profit last year was £596m, and the company spent more than £200m on capital investment in the first half of this year. It recently strengthened its stockholding position in the UK with the purchase, still to be ratified, of C.Walker, Britain's largest stockholding company, giving British Steel control of about 35 per cent of the British stockholding market.

The rest of the European steel industry pays tribute to what British Steel's management and workforce have done. There is no question that it is now a leading, well-run producer.

However, for basically a one-product company, with its operating base in a somewhat fragile domestic economy, British Steel inevitably confronts a series of difficult short- and long-term issues.

Its plant configuration is unsatisfactory. In the short term, this will probably lead to the closure of one of its two plate mills. Through the 1990s, it will almost certainly result in closures of one or more of its integrated sites. Five sites are probably two (possibly three) too many.

British Steel would almost certainly like a partner in Europe, preferably tied into the big West Germany market, where the British company's penetration is small. So far, though, no partner has emerged, and most European steel companies, almost all of whom are making money, have tended to use the recent good trading conditions to reinforce their independence.

At the same time, British Steel will now have to find the money to pay dividends, spend about £300m a year on capital investment, and to operate in a market with lower prices and which, in Europe, will fall next year by an estimated 1.7 per cent.

In the past few years, British Steel has surprised everyone with the strength of its performance, and has pulled things out of the hat when least expected. In the long term, it has a lot of structural overheads whose removal will continue to lower its cost base.

Nick Garnett

TOP 100 UK INVESTMENT TRUSTS BY MARKET CAPITALISATION

Rank	Investment Trust	Market capital £m	Share-holders funds £m	% Dis-count
1	Globe	950.057	1176.810	17.7
2	Foreign & Colonial	782.010	928.007	16.0
3	Edinburgh Investment	546.936	721.994	20.1
4	Alliance	532.728	653.398	18.5
5	Witan	476.574	659.023	20.5
6	Scottish Mortgage	458.114	574.718	19.3
7	Scottish Investment	396.501	588.653	18.4
8	British Investment	373.776	467.704	20.1
9	Scottish Eastern	350.592	427.506	18.1
10	Fleming Far Eastern	343.224	421.989	19.2
11	Govett Oriental	342.325	415.037	17.5
12	Fleming Mercantile	309.971	396.241	22.3
13	Anglo & Overseas	309.516	373.707	17.2
14	British Assets	295.680	359.878	17.5
15	T R Trustees Corp	272.201	316.388	14.5
16	Murray International	263.336	305.678	13.9
17	Govett Strategic	257.175	334.869	22.4
18	Fleming Overseas	253.724	314.280	19.0
19	Scottish American	252.677	298.165	15.3
20	Ensign	248.838	272.082	9.3
21	Investors Capital	243.063	274.574	11.5
22	Throgmorton Trust	239.469	286.839	20.6
23	Monks	217.258	257.166	18.7
24	Secs Trust of Scotland	198.598	226.881	12.5
25	F & C Pacific	189.210	238.002	13.5
26	Mercantile	186.470	217.022	14.0
27	Drayton Consolidated	185.400	230.627	19.6
28	Fleming Japanese	184.410	223.619	19.5
29	Murray Income	181.736	210.818	13.8
30	Second Alliance	179.712	221.061	18.7
31	T R City of London	168.754	199.117	15.3
32	Northern American	152.240	192.249	20.8
33	T R Property	150.336	170.374	11.8
34	[illegible]	140.941	168.916	15.2
35	Temple Bar	135.194	191.685	18.3
36	Govett Atlantic	135.346	161.712	16.3
37	American	130.541	157.568	17.2
38	Fleming Universal	124.032	137.540	12.0
39	Kleinwort Overseas	123.555	153.729	18.4
40	Kleinwort Charter	117.475	148.430	19.7
41	Murray Smaller Markets	117.086	138.903	15.7
42	Drayton Far Eastern	113.879	130.251	7.7
43	Tribune	113.775	138.005	17.8
44	Fleming American	105.877	157.232	15.9
45	English & Scottish	101.740	126.143	20.0
46	Triplevest	98.100	111.082	11.7
47	G T Japan	97.018	118.088	17.8
48	Brunner	96.000	119.939	18.0
49	Electric & General	93.158	115.431	19.3
50	Overseas	86.180	111.423	17.5
51	St Andrew	74.933	90.190	16.9
52	F & C Small Companies	74.910	86.957	13.9
53	C.D.F.C. Trust	69.003	118.384	17.1
54	Murray Ventures	68.361	93.602	12.7
55	First Tokyo Index	66.440	71.668	7.3
56	English & Inter	62.013	74.000	8.1
57	Abingworth	61.114	75.599	19.2
58	Fleming Enterprise	58.800	68.970	13.8
59	Fleming Claverhouse	57.600	66.915	13.3
60	T R Pacific	56.283	58.004	3.0
61	U.S. D.C.	55.702	67.991	20.1
62	Independent	54.886	71.048	22.1
63	London American Venture	54.096	68.147	20.6
64	Dundee & London	53.928	62.110	10.8
65	B G Japan	52.604	70.106	18.9
66	Keystone	51.246	60.668	16.3
67	F & C Eurotrust	48.758	57.758	3.5
68	City & Commercial	46.789	57.655	18.9
69	Lowland	44.621	50.913	12.4
70	Shires	39.004	76.340	4.6
71	Gartmore Information	38.563	44.445	13.2
72	T R Technology	37.083	59.711	37.9
73	London & Strathclyde	36.864	43.013	14.3
74	Moorgate	36.768	35.011	-5.0
75	Yeoman	35.946	44.079	18.5
76	London Atlantic	35.363	42.704	17.9
77	Greenfriar	35.251	51.443	17.8
78	Fleming Fledgeling	30.670	35.880	15.3
79	Selective Assets	30.108	39.957	23.3
80	Consolidated Venture	29.946	39.938	11.4
81	Scottish & Merc	29.520	30.301	2.4
82	North British Can	28.418	34.621	14.0
83	Pacific Assets	27.622	32.357	-1.9
84	Fleming High Inc	27.375	24.499	-17.7
85	Martin Currie Pac	26.917	34.147	11.3
86	Kleinwort Smaller Co	24.652	25.550	1.9
87	Grahams Rintoul	24.305	29.580	17.8
88	Throgmorton USM	22.802	35.455	15.9
89	Scottish Cities	22.539	29.961	24.8
90	New Throgmorton	20.807	59.942	56.7
91	Strata	19.925	28.400	21.7
92	Kleinwort Dev	19.051	20.507	6.4
93	Hambros Adv Tech	18.650	26.813	30.4
94	Ralston	18.360	22.226	17.4
95	Continental Assets	18.177	22.780	4.6
96	Precious Metals	18.120	21.545	15.9
97	Second Market	17.101	17.593	13.2
98	Stratton	16.160	20.872	22.6
99	Gartmore European	15.908	21.338	10.6
100	Olim Convertible	15.545	14.947	-4.5

A–Z LIST OF THE UK TOP 500

A.B. Electronic Products	443	Brammer	410	Diploma	377	Hewden-Stuart Plant	276	McAlpine (Alfred)	364	Ratners Group	186	Tarmac	43
AAH Holdings	242	Brent Walker Holdings	282	Dixons Group	169	Heywood Williams	351	McCarthy & Stone	404	Readicut International	398	Tate & Lyle	110
ABB Kent Holdings	466	Bridon	391	Dobson Park Industries	414	Hickson International	241	McKechnie	258	Rechem Environmental Services	294	Taylor Woodrow	100
APV	153	Britannia Arrow Holdings	245	Dowty Group	150	Higgs and Hill	393	Mecca Leisure	169	Reckitt & Colman	67	Tesco Stores (Holdings)	28
ASW Holdings	311	Britannia Security Group	360	Dunhill Holdings	162	Highland Distillers	240	Meggitt Holdings	295	Redland	69	Thames Television	257
Adwest Group	394	Britannic Assurance	236	EIS Group	428	Hillsdown Holdings	79	Menzies John (Holdings)	222	Reed International	41	Thorn Emi	45
Alexon Group	434	British & Commonwealth Hldgs	158	EMAP	213	Hogg Robinson	425	Mersey Docks and Harbour Co	382	Refuge Group	254	Thorntons	458
Allied Colloids Group	186	British Aerospace	63	Electrocomponents	179	Horne Robert	469	Meyer International	195	Regalian Properties	439	Tibbett & Britten Group	435
Allied London Properties	494	British Airways	77	Ellis & Everard	388	Howden Group	332	Microfilm Reprographics	420	Renishaw	464	Tilbury Group	419
Allied Textiles	441	British Gas	5	Emess Lighting	379	Hunting Associated Industries	318	Microgen Holdings	456	Renold Group	137	Time Products	405
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